HEARINGS
Before The
Committee on Foreign Affairs
House of Representatives
Eighty-Second Congress
Second Session
On
H. R. 7005
To Amend The Mutual Security Act Of 1951, And
For Other Purposes

March 13, 18, 19, 20, 21, 24, 25, 26, 27, 28, April 1, 2, 3, 7, 8, 9, 22, 23, 24, 25, 28, 29, 1952

MUTUAL SECURITY ACT EXTENSION

THURSDAY, MARCH 27, 1952

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee Room, Capitol, at 10:50 a. m., the Honorable James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please. We are privileged this morning to have with us Mr. David K. E. Bruce, former Ambassador to France, and now Under Secretary of State. He needs no introduction, of course.

Mr. Bruce, we are delighted to have you back with us this morning. You have heard about this bill on which we have been holding hearings, H. R. 7005.

Mr. VORYS. Mr. Richards' bill.

Mrs. BOLTON. Put in only by request.

Chairman RICHARDS. Mr. Bruce, we wish you would make a general statement in your own way, then we will ask some questions.

STATEMENT OF HON. DAVID K. E. BRUCE, UNDER SECRETARY OF STATE

Mr. BRUCE. Mr. Chairman, may I suggest one thing? As the statement I will make is completely informal, if any of the members would like to interrupt as I go along, I will be glad to have them do so. I am afraid I am inclined to ramble somewhat. Perhaps we could do it in that way, or any way that suits the wishes of the members of the committee.

Chairman RICHARDS. As far as possible, I think it would be better to let you proceed in your own way.

Mr. BRUCE. Suppose I start with the political situation in France as it presently presents itself. There has been a very considerable difficulty since the first of the year because of the rapid changes in government. This is by no means uncharacteristic of French politics.

The reasons for this political instability, I think, can be generally divided into two categories, one of which I talked to you about in Paris, and the other of which I do not think I have touched upon.

The first has to do with institutional relationships under the fourth constitution and the multiparty system. The second has to do with a specific provision of the constitution.

Under the constitution there is in France a President who holds office for 7 years, a Senate, now called the Council of the Republic, the members of which hold office for 6 years, and a Chamber of

Deputies, now called the National Assembly, the members of which remain in office for 5 years.

At the general election, which took place when you were there last summer, it was only the representatives in the National Assembly who were up before the people for selection.

The President has, unlike our structure here, no real power of an executive kind. He is the head of the state. He presides over all formal functions. He signs the commissions of the principal officers of the government. He goes around and opens fairs, bazaars, makes a multitude of speeches, entertains a vast number of people, but, with one exception, he does not exercise an authority which is really significant in the executive sense.

The exception is that when there has been a cabinet fall it is his duty to select the new Prime Minister. He must ask a member of a political party to undertake to form a cabinet. If the invitation is accepted, the prospective Prime Minister goes before the National Assembly, not before the Council of the Republic, but only before the National Assembly to seek investiture.

In the choice of a Prime Minister the President does have a wide latitude. He must carefully consider, however, whether the man approached by him, invited by him, to form a cabinet will be capable of doing so. This task requires him to be in close touch with the play of politics.

President Auriol has been in office for 6 years. He is a remarkable man. He is a popular, highly patriotic individual, particularly interested in the French Union, of which he considers himself the father. He is fond of comparing it to the British dominion system. His influence has been good. He presides over cabinet meetings, but he does not vote in cabinet meetings.

Once President Auriol has invited someone to take the Premiership, that man then goes before the Parliament. The Premier-Designate must be invested, that is, voted favorably upon by the National Assembly. But it may also happen that a day or 2 days later, when he comes before them with a program and tells them who he intends to have as members of his cabinet, he will be overthrown. Under those circumstances the only favorable thing that results from his standpoint is that he is entitled for the rest of his life to be called "Mr. President."

Now, as to this bicameral legislature, the Council of the Republic in the past before the last constitution—what I have called the fourth constitution—had a very real power. It has now been stripped of it, and is almost a reviewing body.

There is a considerable agitation in France that some of its former powers be restored to it. But essentially authority resides in the National Assembly.

There are in the Council of the Republic 320 members. These 320 members are not elected directly by the people. They are elected through a sort of corporate voting system in which the greatest influence is exercised by the local functionaries in the provinces. On the whole, it is a more conservative body than the National Assembly.

The communist representation is smaller than it was in the House. When I speak of the "House," I am speaking of the National Assembly. The National Assembly has 627 members. The largest single party represented there is the following of De Gaulle, with 117; after that,

the Socialists, with 106; the Communists, with 101; the MRP, and its affiliated parties, with 100; the Independents and Peasants, with 98; and a scattering from other parties.

I spoke of affiliations in the radical Socialist Party, where you have a comparatively small number of votes, they have increased their influence by having added to their voting strength adherence of other political parties.

For example, Mr. Pleven of the UDSR has a very great influence in the country but only directly controls 16 votes. Those 16 votes are usually pooled with the votes of the radical Socialists and the votes of some other splinter parties in what is called a group.

Now, I am going to get to the second point, which also stems from the constitution. Before 1852 there had been two Republics in France. In 1852, Napoleon III seized power. When Napoleon III, after the disastrous defeat in the Franco-Prussion War, was exiled the Third Republic was formed.

At that time, in an effort to avoid what I have always thought was rather a national tendency to idulate and seek a strong man for the control of government, what the French refer to as "a man on horseback," the constitution was so drawn up that the legislative body controlled the executive branch of government.

In other words, many of the checks and balances between the Executive and the legislative that we are so familiar with, and which are characteristic of the British Constitution, were deliberately done away with in France.

I think the idea was carried further in the fourth constitution by the virtual suppression of the Executive authority of the Senate or Council of the Republic. So what happens today is that if the members of the National Assembly, being in office for 5 years, wish for any reason, and many have reasons which are unsubstantial and whimsical, to overthrow a cabinet, they can do so without affecting their own tenure of office. It would require a very small constitutional change to provide a certain division between the executive and legislative branches. If this were done, one might arrive at something comparable with the British parliamentary system, where if a cabinet representing a majority of the parties in parliament were overthrown, the parliament itself would be subject to dismissal, to dissolution.

Under the present constitution, the only way in which the National Assembly can be dissolved before its term of office has come to an expiration is to have two votes within 18 months of no confidence, or of censure.

However, these votes must take place 18 months after the members of the National Assembly have been elected. Therefore, tenure is very definite for 18 months and may go on longer than that. This situation does breed an irresponsibility in the legislative branch as to the conduct on the part of the executive branch of the Government.

There would be, in any event, probably a greater instability in France even under the principle of the British Parliamentary system than you would ever have in England, because of the multiparty system in France.

In England, one is usually dealing with two parties. In France, you are dealing with at least eight fairly powerful ones, and with a great many others of greater or lesser consequence.

DECLASSIFIED

Unless the French arrive at some other method of conducting their public affairs, I think one can conclude that as regards domestic matters one is continually going to be faced with political instability. I spoke of dealing with domestic matters. As regards foreign policy, there has been traditionally a remarkable continuity in France. The tradition extends back to 1875 to the time of the Third Republic. An expression of this tradition is the fact that even when there have been so many changes in Government since the day of liberation, 7 years ago, there have been only two Foreign Ministers in France, Mr. Bidault, and Mr. Schuman, who is the present incumbent.

Those two foreign ministers have had, in connection with foreign policy, few difficulties with the parliament, and fewer, of course, with their own cabinets. The reason is that foreign policy is so founded in tradition, the external interests of France are so well known amongst its people, that there is comparatively little public debate regarding it.

This is not true, however, of this process toward integration, represented to date by the Schuman plan and by the European Defense Community, which I would like to touch on later.

I am talking about foreign policy as it impinges upon or is coordinated with the foreign policy of NATO and that of the United States. With the exception of the Communists, there has never been any difficulty whatever in obtaining support for those foreign policies to which the western nations have subscribed in the last few years.

There has been no difficulty whatever about the military program. There has been contention over how it should be financed. But as regards principles, with the exception, once more, of the Communists the foreign policy of France has remained constant.

That statement has to be modified for this reason: The De Gaullists, who only became represented in the National Assembly formally as a party last year, have often opposed the Government, not only on domestic, but also on certain foreign measures. When they have done so, however, it is usually not because they are opposed to the policy in principle, but because they are seeking domestic political power. There is one principal exception, and that is as concerns the European Defense Community.

The over-all political situation is therefore unchanged from what it was during the last several years instability in Government, particularly as it affects domestic politics, thereby hampering the proper conduct of the affairs of the country, but stability in regard to foreign policy and its implementation.

Perhaps at this point it might be appropriate if I took up the question of European integration and tried to deal with it briefly, and point out the reasons why the De Gaullists, for example, are in opposition to it. Communist opposition is very easy to understand. The ratification of the Schuman plan is nearing completion in France and with the other subscribing members. One anticipates it will come into force within the next months. The Schuman plan pools the steel resources and the coal resources of the six participating nations. Authority under it is vested in a supranational body, to which each member nation has delegated a portion of its national sovereignty.

There was strong opposition to it in every country. Strong opposition in the sense that there were concentrated group interests, usually industrial ones, and sometimes political ones, opposed to it.

DECLASSIFIED

DECLASSIFIED

However, much more significant has been the struggle which has attended the effort to form a European Defense Community.

The theory of the delegation or the surrender of the sovereignty or a portion of it by the participating nations gave rise to questions which were entirely novel and even more intricate in nature than were those which were raised by the Schuman plan.

The De Gaullist party, to give you an example, has, under the leadership of General de Gaulle, said that it was opposed to having a European army because that would mean the surrender by France effectively of control over its foreign policy.

That is a very interesting point of view. To my mind, it is a point of view which is fully justified, from the standpoint of theory. If you form a common army to which you surrender your armed forces, and any control connected with them, you have, in effect, to a large degree, surrendered control of your foreign policy because you have lost the instrument with which you can defend it by an independent, national decision.

De Gaulle has also appealed to national pride. He said that he did not think placing French soldiers in common uniforms with the Germans and the other members of the community was something which was in the national interest. That, again, is an understandable point of view. Many of the sentiments expressed by him in this regard have found a reflection in other countries.

I think that Mr. Churchill himself, in viewing this attempt to form a European army, has reflected also as to what the result would be if the British became participants and the identity, let us say, of the Guards Regiments became merged with those of other nations, and those units became anonymous.

Nevertheless, successive French Governments have pressed for this European Defense Community conception. As I said before, it appears to me it has a greater significance than the Schuman plan, important though the latter is. It is more significant because if the European Defense Community comes into being it would be almost impossible, provided the community is properly administered, for any nation to engage in an aggressive adventure.

It would also make the strength of any nation much greater than it would be if it relied only on its own resources in case of an aggression against it.

It has almost every merit that one can conceive of from the standpoint of political strength and from the standpoint of peace.

When Pleven first proposed the European army, now called the European Defense Forces, a great many people said it was a militarily impractical scheme.

After a good deal of examination SHAPE took an interest in it. SHAPE was consulted at every turn. This was extremely fortunate. It finally transpired that the difficult military features of the plan were those that were the most quickly settled. It is the political aspects which continue to form the greatest obstacle to a rapid drafting and an agreement upon the plan. However, the plan should be in treaty form in the next weeks.

On the military side, to put it briefly, there will be multinational forces at corps level, national forces only at division level. The basic units of homogenous nationality will be stripped down

96908—52——21

DECLASSIFIED

DECLASSIFIED

divisions. Operational command will be vested in SHAPE. Therefore, you will have a truly internationalized force.

One of the great merits, and of course, one of the great considerations impelling serious attention to this scheme, is that the recreation of a German national army or German general staff is to be avoided.

Political control will be exercised through a commissariat of which there will be a president. The commissariat will have broad powers. In effect, it will replace the defense ministers of the participating countries. There will be a council of ministers representing, in the beginning at least, the national interests of the participants. There will be a general assembly composed of parliamentarians.

This general assembly will have the duty, amongst others, of within 6 months of the ratification of the instrument, submitting to the nations concerned a proposal for the political federation of those nations who are members of the European Defense Community.

There will be a court of justice as in the Schuman plan, with power of review. These essentially are the salient features of the European Defense Community under the treaty draft as presently drawn up. It will not be altered in any important respect.

To go on from that for just a moment, this accomplishment, so novel, so unparalleled as far as I know in Europe in history, has met with considerable opposition in each nation. It may meet with more, especially when it comes before the parliaments for ratification.

However, one of the most striking features in the debate is the greater and greater acceptance even among the most ardent opponents of the European Defense Community that whether or not it comes into existence the same nations should rapidly proceed to a consideration of the formation of a political federation of Western Europe.

This widespread popular demand to me, is quite astonishing. If the European Defense Community is ratified by the parliaments, and I am sure eventually it will be in spite of temporary set-backs, it should be certain that a constitutional convention within a fairly short time will hammer out something in the way of a European constitution.

What does that mean to us? What do these two steps, of which I have spoken, mean to the interests, security or otherwise, of the United States?

In connection with our security interests I can conceive of nothing which would be more helpful than to have the waste inherent in small national military establishments done away with by wise central management, over coordinated and merged military establishments.

It is all very well for people to talk about each of these European nations being able to defend itself against future aggression. It is absolute foolishness, even if for no other reasons than for economic ones. The great increase in the cost of armaments, arising not only out of the rise in prices, but also because of the change in modern armaments, makes it inconceivable that any of our partners in the North Atlantic Community could defend themselves alone against a very powerful attack.

There are those still in France, of whom General de Gaulle is one, who believe that the French should build up an army far in excess of its present size and equip that army so that France could be able to stave off a massive attack on the part of a foreign nation. It is not difficult to demonstrate in cold figures that, even if there were no other

DECLASSIFIED

reasons which would make that idea impractical, the financial one alone would be completely controlling.

Secondly, from our standpoint, in carrying on discussions bilaterally with these different countries, we have always been, and they as well, at a considerable handicap as regards the effective application of American assistance. Once you have a central organization controlling procurement in Europe, I think we would then be confronted with a situation where for the first time assistance from us could be used with maximum effectiveness.

And, why? Because through common procurement you can place orders where deliveries will be most rapid, and where the cost will be the lowest. Even if disruption might be caused, temporarily in some economies, and granted that these powers would have to be exercised wisely, the establishment of a center of authority would enable procurement to be carried out with a greater degree of wisdom and with a greater degree of method than is now possible under conditions on a bilateral basis, even though from our standpoint I think we have transacted our business in that regard as wisely as is possible under the circumstances.

It is self-evident that with standardization, with specialization in production, brought about by a central pooling of resources under common budgeting and common procurement, you are going to get coordination, effectiveness, and economy which cannot be arrived at in any other way.

So much for European integration, confederation, or federation.

Before leaving the political situation in France, Mr. Chairman, I would like to talk about the Communist influence in government, in the trade-unions, and amongst the people. I know it is a subject which has been gravely disturbing, not only to many people here but to many people in other nations of the free world.

It is difficult to be brief in talking about communism in France. Unless one is aware of its history in recent years, I think one is apt to derive conclusions regarding it which are erroneous.

Let us cast our minds back to the beginning of the Second World War, when there was already a strong Communist sentiment and a well-organized Communist Party in France. Before the Russians were attacked by the Germans the Communists were antagonistic to, sabotaged, interfered with, and attempted in every way to disrupt the operations of the French military forces.

The moment that Russia was attacked, and at that time France had already been occupied by the Germans, the Communists organized themselves in such a fashion that they became effective in the resistance movement.

As they were organized in numbers they were more effective for sabotage and for propaganda operations than they were in the intelligence field. Secret intelligence demanded security on the part of the individual rather than reliance on mass organization.

After the liberation, certainly in reading any of the speeches that were made and many of the articles in the newspapers in France, you would derive the impression that the resistance movement owed everything, as far as its success was concerned, to the direction and participation of the Communist interests.

That is untrue. It would also be untrue, however, to say that the contribution made by the Communists in the resistance movement

was not one of great significance. It was. It was not alone to France but to our own Army and our allies who were planning an invasion of the Continent.

It was significant. It was a gallant and a well-organized undertaking. However, unlike others who participated in this resistance movement, the Communists had from the beginning a long-range program.

That program was, upon the reoccupation of France, to take over the Government. They very nearly succeeded in doing so. In effect, they did exercise great influence through an alliance with the MRP and the Socialist Parties.

The Communists intended to abolish the army and replace the army by an irregular force which they themselves would control, and which would consist of about 200,000 soldiers. The scheme might well have been successful had it not been for the fact that Russia was still engaged in war and wanted no disturbances on the periphery. So, word came from Moscow that this army could be disbanded, and De Gaulle, the provisional president, after great difficulty, succeeded in having it disbanded.

During this resistance period the airdrops from Great Britain on the part of the RAF and the American Air Force of matériel for sabotage, such as plastic items and also arms, such as machine guns, had been very extensive. The Communists after the liberation retained those arms. They continued the central control of their organizations and were, with the exception of those French forces under General Eisenhower's command, the most effective armed forces in France. For 2 or 3 years it seemed that the combination of Communists, MRP, and Socialists might express the very generous aspirations of people who had hoped that a great reform could take place in France; that many of the evils of the past could be cured; that one could move forward into a reconstructed France. All of these things seemed capable of fruition.

I have thought that the single-mindedness of the Communist Party, with an eye to gaining political power, and using that political power to subject France to the role of a satellite country to Russia, could well have been the factor which prevented the realization of these aspirations. Many of the reforms were highly desirable and some were actually placed upon the statute books. By 1947 it became so apparent that the Communists in France were activated by anti-patriotic motives, that they were servile as regards following the policies of a foreign government; that their participation in government could no longer be stomached by the remainder of the French politicians and the French people as a whole. The Communists were expelled from Cabinet positions.

This was probably the turning point of Communist influence in France. It was the last period in which they might have seized complete control of the Government. In 1948, they inspired a coal strike, a serious one it was indeed, but it was broken. The miners returned to work after considerable sabotage had taken place in the mines, and the Communists from that time thereafter have never succeeded in carrying through a political strike.

I distinguish "political strikes" from strikes purely for wage reasons.

It is also a popular impression, and I think especially with us, that successive French Governments since 1947 have done very little to cope with this Communist problem. I can see every reason why you would arrive at that conclusion, because I myself have never read any pamphlet, any book, issued by a responsible Frenchman which points out exactly what happened in the period to which I have referred.

The Communists occupying key positions in Government have been relieved for the most part of their places. The Atomic Energy Commission is a very good example. The Army, Navy, and Air Force is another example. Thousands of employees in Government departments have lost their jobs because of their party affiliation, more often because of their activities within the party.

Many people feared that when the international Communist organizations were last year forbidden to operate in France that there would be mass demonstrations and protests. The Communist authorities sent out word that there should be such manifestations, but none of them actually took place. When General Eisenhower came to Paris he was the great warmonger, the man who was going to put in battle all the forces in Western Europe in favor of American imperialism. He probably had the worst press, from the standpoint of the Communists, of anyone who has ever come to Europe in our time.

The demonstrations that they wished to organize were preceded by party cell meetings all over France. People came up from the Provinces to take part in the march on the Astoria Hotel, where General Eisenhower was to arrive.

The Government deployed its policemen and troops about the hotel. There was no coherence in the manifestation. A few thousand people were locked up. Everyone that had a Government job and had taken a part in it has been warned in advance that he was going to lose his Government job if he was identified. A good many did lose their jobs. The march was a complete fiasco.

The buildings were plastered with posters of what ought to be done. General Eisenhower was given perhaps unusual protection, but the mass demonstrations against him came to absolutely nothing.

When the announcement was made of the arrival of the first arms shipments to France, the Communists were jubilant. They said that no longshoremen, because they controlled them for the most part, would ever unload a cargo. The Communist papers had screaming headlines about what folly it was to believe that the French would receive these bloodthirsty weapons from us. When the longshoremen met in Cherbourg, which was the principal port, they were exhorted by orators from Paris, but voted practically immediately to discharge the cargoes. Nor has there been any sabotage of the shipment of end-items by rail. The same is true of shipments of arms from France to Indochina. So, the Communist movement has lost its steam and its drive.

I will try to be more brief. Let us have a look at the Communist press. All the press in France was confiscated at the time of the liberation on the theory that any newspapers that were published during the occupation had been collaborators with the enemy. This was a Communist dodge. It wound up by giving the Communists about 75 percent of the prewar press in France without payment of a penny.

DECLASSIFIED

The Communists have two great Paris papers, L'Humanite, the morning, and Ce Soir, the evening paper. The first had a circulation in 1947 of 600,000; the second a circulation of 550,000. The circulation of the morning paper today is about 180,000; the circulation of the evening paper is about one-third of what it was 5 years ago.

Their country paper, La Terre, is the best country paper I have ever read in my life. It would appeal to any farmer anywhere. It is also one of the most skilled propaganda publications which has ever been put out.

It had a great influence with the farmers. This influence was enhanced by the fact that the Communists had seized control of the so-called Farm Confederation. They were finally expelled completely from the management of it a year ago.

There is a rival newspaper called La Nouvelle Terre which is distributed in France and which now has a larger distribution than the Communist paper. So, the Communist newspaper distribution in France is losing what were its strongholds.

I have been speaking of the Communist Party up to this time. The Communist Party probably has a membership of about 500,000. The hard core of the Communist Party in France is estimated to consist of about 50,000 people. It commanded about 5,000,000 votes in the last general election, about 9 percent less than it had in the general election 5 years before. Up until the election this year it had 180 representatives in the National Assembly. It now has 101.

There are reasons why the drop was so great, which have nothing to do with the election itself. The election machinery had been established by an act of the National Assembly in order to cut down the strength of the Communist representation.

The result was most excellent. With the popular dimunition in the Communist vote of, say, 9 percent, there was a lessening of parliamentary representation of about 40 percent.

The real stronghold of communism in its present effect, in spite of the number of measures against it which have been made in France in the last few years, is probably its control over the great labor union, the CGT.

In 1946 the leaders of the CGT claimed a membership for it of roughly 6,300,000 members. In 1950 it had dropped to an alleged 3,600,000. It is estimated by many Communists today that the real membership of the CGT is 1,600,000.

On the non-Communist side, there are two important unions, with some smaller ones. Taking these in combination, the non-Communist union membership is somewhat less than the membership of the Communist-dominated union.

I use the words "Communist-dominated union" advisedly because I think there has been a great misunderstanding as to the meaning of membership in the CGT. It does not mean that in a doctrinaire fashion each member subscribes to the tenets of communism.

It is the oldest of the French unions, certainly the most powerful of the French unions. Many of the members have remained with it because they feel in its leadership they have a more aggressive type of struggle for better social conditions than they would obtain in the non-Communist unions. The leadership of the CGT is excellent.

In the non-Communist unions the leaders, almost all of whom I know are men of high character, men of imagination, but they lack

DECLASSIFIED

nately do not have the ruthlessness that characterizes the leadership given to the CGT by the Communists. While the CGT leadership is directed toward the destruction of the real values of France, even of French citizenship, when it is ostensibly a question of higher wages or social benefits that same leadership is more efficient than is the leadership which can be put up by any other organized group that I know of in Western Europe.

An interesting development is that over a period of time the defectors from the CGT have not joined necessarily a non-Communist union. So, when you talk about opposition to the Communist domination of the greatest labor union in France, you should remember that the majority of industrial workers in France do not belong to any union whatever. Disgusted with the CGT, they have simply withdrawn, attend to their own business, and take no part in union activities.

One should not be too ready to draw the conclusion that the CGT, although with the tremendous loss in membership, but still the dominant union in France, represents necessarily a hard core of militants who are going all out to sabotage a rearmament effort. This is far from the case. Nor in the past 2 years has there been strong participation in any strike unless the union members thought the strike was going to be productive in improving their own social conditions.

Mr. Chairman, perhaps I should move on now to what I think is probably another of the most contentious of all questions about France. It is that of taxation.

How much time have we, this morning?

Chairman RICHARDS. We have an hour and a quarter. Then, if we do not finish, we can come back at 2:30, but there will be interruptions because of the bill on the floor of the House.

Mr. BRUCE. Then let me, if I may, take up the country's economy. I will use as few figures as possible.

Mr. FULTON. Before you leave the Communists, could you comment on the Communists in the Army?

(Discussion off the record.)

Mr. ROOSEVELT. In regard to this French security system, have they got it to where our FBI is, have they got the Communists tagged, would there be a round-up the moment anything started, so that they would have the saboteurs well under control, as we hope we have in this country?

(Discussion off the record.)

Mr. BRUCE. The French gross national product is somewhat less than 10 percent of our own. The average income of a Frenchman is about one-third of the average income of an American. The taxes collected in France in proportion to gross national product, including social security and assistance contributions, will probably amount in calendar 1952 to between 30 and 32 percent.

Our own taxes, national and local, will probably amount, according to our estimates, to about 27 percent of our gross national product.

In the last 5 years the proportion of taxes collected in France as a proportion of gross national product has been about 20 percent greater than it has been here in the United States.

Mr. JUDD. How many years?

Mr. BRUCE. In the last 5 years.

Mr. MANSFIELD. 20 percent greater?

Mr. BRUCE. Yes, in proportion to gross national product.

The reason I have started off in this way is really to lead into the question of French taxation. There has been so much talk about the French not paying taxes that I am going to confine myself to the amount of taxes actually collected in France.

I would be glad, if anyone wishes, to deal with the equity of the tax system, that is whether it is regressive or not, but perhaps it is sufficient to start off by saying that in my opinion the French taxation system, and in the opinion of many French people, is an inequitable tax system.

However, the real concern of the United States is the amount of taxes the French pay. I believe our interest now is that the French Government should collect from its citizens as large an amount of the national income as it can without disrupting the economy of the country. Their tax system happens to be regressive. This is also of some interest to us and it would constitute a most fascinating study for anyone interested in tax matters. It is not, however, something that affects the will of France in contributing its fair share to the defense effort, nor have the French not been paying taxes during the period when they were getting massive assistance from us in the form of Marshall aid.

Indirect taxes pull in about 65 percent of all the taxes collected. With us, indirect taxes constitute about 15 percent of our taxes collected. In England, it is about 40 percent. This is the reason why you so often hear that the French tax system is regressive. Indeed it is. It has traditionally been a system that relied on obtaining revenues from indirect taxation.

Mr. MANSFIELD. Mr. Chairman, I think that this is very important. I would like to bring up a question at this time. Is it not possible that portions of this testimony could be made public so the people will understand it? This is one part which I think there is nothing secret about.

Mr. BRUCE. There is nothing secret that I have said.

Chairman RICHARDS. Let us see about that. We have executive session committee rules. If it is the unanimous opinion of the committee that the tax situation be considered in open session, we can do that. I do not know whether anybody here will have objection to that.

Mr. VORYS. I thought we were proceeding here in executive session and preparing a transcript which could be examined and edited by the witnesses for military and diplomatic secrets, and then a great deal of it would be released, as much as possible.

Chairman RICHARDS. The point is if the committee acts on it now that will end it, but sometimes the members propose such an arrangement after the meeting. That just involves a lot of different matters.

There will be a transcript made. As I understand it, Mr. Bruce, you see no objection at all. There is not any restriction from the standpoint of policy or anything else that would prevent putting this testimony in, if we let the bars down about executive session rules.

I think there has been so much discussion about this taxation matter and so many statements have been made by writers that it would be helpful to get something in the record on that.

Mr. VORYS. You mean immediately?

Chairman RICHARDS. I would say immediately as soon as we can get a transcript. Maybe Mr. Bruce could make a statement to the press right after the meeting. The transcript will not be made right away, you see. That can lead you into all kinds of difficulty about this executive session.

Mrs. BOLTON. If we move now that this testimony shall be submitted to Mr. Bruce and given the widest possible publicity after he passes on it—I make that motion.

Mr. JUDD. I second the motion.

Chairman RICHARDS. Is there any discussion?

Mr. VORYS. If it would be proper, I would be happy to move also that the chairman and Mr. Bruce be authorized to make such statements as they think would be in the public interest on the situation in France immediately after this session, as far as I am concerned.

Chairman RICHARDS. You are talking about taxation. Do you wish to expand that by including the French situation generally?

Mr. VORYS. That is what I would be willing to authorize.

Mr. ROOSEVELT. I would like to put in one caveat there, that I hope Mr. Bruce is going to take up the Tunisian and Moroccan situation, and that cannot be made public.

Mr. MANSFIELD. He can use his discretion.

Mr. VORYS. I want to leave it to the chairman and Mr. Bruce in that if it would be helpful to get out something immediately, not waiting for the transcript, it would be all right.

Mrs. BOLTON. May I suggest this motion is intended to cover what we are doing now. It is not intended to cover what we may do this afternoon.

Chairman RICHARDS. As I understand it—let me get this straight—your proposal is amended by the suggestion of the gentleman from Ohio, that the chairman and Mr. Bruce get together on a statement in regard to taxation and other matters in regard to France that they think proper and make this statement to the press. Is there objection to that?

Mr. CHATHAM. Splendid.

Chairman RICHARDS. All in favor say "Aye"?——

Mrs. BOLTON. Aye.

Mr. ROOSEVELT. I am in favor of the motion, but I think some of the discussion of the Communists in France should be carefully edited.

Mr. CHATHAM. We assume the chairman would do that.

Mr. JUDD. Mr. Bruce knows what is more suitable for release than any member of the committee, and I will trust his judgment.

Chairman RICHARDS. I will say the chairman will be governed by the Secretary's opinion. Is there any objection to that? It is so ordered.

Mr. BRUCE. May I now make a suggestion, Mr. Chairman?

Chairman RICHARDS. Yes.

Mr. BRUCE. This same question came up on the other side of the Capitol as well. In the course of questions I wish to give you frank answers.

Would it be possible to authorize me to read over the transcript and to delete from it, as you did last summer in Paris?

Mrs. BOLTON. That is the purpose of the motion. May I just suggest that we add to this that the chairman and the Secretary make a statement to the press at the end of this on such matters as they wish

to have out immediately. And then we suggest the Secretary enjoy his week end.

Chairman RICHARDS. I think we can do that, Mr. Secretary, sort of ad lib, and then you can get down on the creek for a little bit.

Mr. VORYS. I would like to say something about this matter of transcripts made in executive sessions. We have had, as I understand, a rule, or custom, such as we have discussed here, where it has been our practice to give the greatest latitude to our witnesses from the executive departments in editing or in censoring their remarks in the interest of the national security before they are made public. There are limits to the suppression of testimony that ought not to be transgressed; if they are, as they were in one instance where statements of even members of this committee were suppressed, there are remedies for that, too. I feel sure that with Mr. Bruce there will be no question.

Chairman RICHARDS. A chairman can run into trouble on this question. I think it should be straightened out in committee, and not have a member coming to me afterward.

I think under the instructions of the committee, Mr. Bruce and I could get together on a statement that will do, without waiting for the transcript.

Mr. VORYS. Could I say one more thing, because Mr. Bruce is not only our very able ex-Ambassador from France, but is Under Secretary on this matter?

I have always been perfectly willing, as far as I am concerned, to leave the preparation of the record, the hearings, to the sound discretion of our chairman, whoever he may be. But I have in mind cases where our chairman threatened that he would not print hearings at all because of the excessive deletions, not by Mr. Bruce, but by others, which made the hearings not only unintelligible but distorted. I just mention that. I am still quite willing to leave it to the chairman.

Chairman RICHARDS. What Mr. Vorys is talking about is only the desire of the committee to see that the transcript itself is complete. Often the witnesses go ahead and testify in executive session and then strike out half of it, and the members who are not here do not have the benefit of it.

Mr. BRUCE. I understand perfectly, sir. Just looking back on what I have said this morning, I can think of only one thing that should be deleted, a statement made by me in response to certain questions by Mr. Roosevelt.

Chairman RICHARDS. Go ahead, sir.

Mr. BRUCE. One more feature of the relationship of the taxes collected and the gross national product which I think all of you are familiar with but which has great importance is this: Let us take an arbitrary figure, 30 percent, for example, in the case of the United States and France. Let us say the average income of the United States citizen for the purpose of this illustration is $2,400 per person and 30 percent of that would be $720. Your residue then is in the nature of $1,700. Thirty percent of an annual average of $800 in France would be $240 and your residue would be $560. In other words, the residue after taxation has a most important bearing on the economy of a country, because it is the money which remains, which is used for living expenses, and after living expenses it is hoped that some of it

DECLASSIFIED

in the aggregate would be left over for investment that is of importance to the economy of France.

I am extremely skeptical about the transformation of the tax system of a relatively poor country to an overreliance on income-tax collections. We have seen in our own experience how, with the fluctuations of business, reliance on income taxes is a tricky thing, particularly in depression.

In the case of a country where the average income is as low as it is in France, you would, I believe, sir, suffer from a diminution of over-all revenues while the system was being amended and amended over and over again.

So, from the standpoint of the United States, it would seem necessary to make certain that France, Italy, and all the rest of our partners are collecting from their people a reasonable amount in the form of taxes from the aggregate amount which is available to the people of the countries affected.

On that basis, France has, of course, for years been the second highest taxed major country in the North Atlantic countries, Great Britain being first. The French believe that the taxes collected in proportion to the gross national product during the calendar year 1952 in France will be even greater than those collected in Great Britain, but that remains to be seen.

There is a great amount of tax evasion in France. The schedule of income-tax rates is extremely high. The statement has often been made in connection with the Marshall plan that American assistance has gone into the pockets of people who were already well to do and that very little of it has percolated down and has affected the average citizen in those countries.

I believe that that statement is also, in the case of France, at least, an unsound one, and for this reason: Marshall plan aid in great part was devoted to the reconstruction of the great basic industries in France, especially railroads, coal mines, and hydroelectric power.

All of those industries happen to be nationalized. The automobile industry is one of the few in the private segment of business where considerable funds were expended in the beginning. The largest unit among the automobile factories in France is Renault. It happens to be the only automobile company in France now nationalized. So if anybody in the management of these nationalized industries derived any particular pecuniary benefit from the operations of the Marshall plan, I would have thought it would have been the most delicate and difficult operation for him to have done, because in effect they were Government employees. Government employees in France have never been known for becoming rich on a large scale.

Where you would expect—I will leave the Marshall plan out now—the evasion of taxes would become most glaringly apparent is among the rich people and corporations, especially the large corporations. That has not proved to be the case. I think the leaders of the Socialist Party in France would affirm this point.

The people who evade taxes to the greatest degree in France are the farmers, the professional men, and the nonincorporated businesses. Farm taxation in France is founded on a land assessment. That land assessment is usually low in relationship to the real value of the farms.

Often in parliament bills have been proposed that would raise the assessment on land so that the farmers would contribute more to the

DECLASSIFIED

support of government. Those bills have usually failed. The farm element is very powerful in French politics.

Mr. ROOSEVELT. It is here, too.

Mr. BRUCE. I understand it is in many legislative bodies.

On the other hand, from the standpoint of a gross collection of money, even if the income taxes were very strictly levied upon the farm population, the total collected would not be important in comparison with the figures that I have been discussing. One of the reasons for that is that the vast majority of French farms are under 25 acres in extent. A thousand-acre farm in France is not a large farm, it is an enormous farm. There are few of them. There are no farms in France that I know of that compare even with the farms in our Eastern States.

The second class of escapees from income taxation are the professional men. They have a ready way of evasion because they transact most of their business on a cash basis.

The third form of escapism is through the medium of the nonincorporated business. The vast majority, again, and in this case it runs to over 90 percent of all businesses in France, are run by people who are so-called self-employed. These are usually family businesses and the total number of employees is two or three. They perform their business on a cash basis. They do it for various reasons, but one of the important reasons is the distrust which is prevalent throughout the whole population of the solidity or stability of banks.

At any rate, bookkeeping in the American sense, accountancy in the American sense, is something which is foreign to the temperament of many of the people there, and it is certainly unknown in the majority of business operations.

Having said that, and adding that the estimate of the amount of taxes which are due and uncollected would run to about 1 billion or a billion and a half dollars a year at the present rate, I would like to say something which I have had no opportunity to check, but which was told me the day before yesterday. A study made by the Twentieth Century Fund, which I take it is an objective organization, of taxation in the United States, disclosed that for the year 1948, when our gross national product was, I assume, much smaller than what it is today, the professional man, unincorporated business, and farmer had an undeclared tax income of approximately $56 billion, one-third of which would have been liable to income taxation and which was never collected.

So when we get into these comparisons about taxation, it would seem to me one should take them up country by country.

Mr. FULTON. Is that a secret figure?

Mr. BRUCE. No; it is in the Twentieth Century Fund report.

Mr. JUDD. Sometime during your testimony I hope you will tell us how much of this 30 to 32 percent of their gross national product collected in taxes comes back to them in direct subsidies, for example, in their bread rations. That is a factor which makes a comparison between their taxes and ours not quite accurate. Two hundred and forty dollars out of eight hundred dollars income goes into taxes. How much of that $240 does he get back in his subsidies, in low rents?

Mr. BRUCE. Low rents, for example, are not supported by the Government. They are supported by the landlords. The proportion

DECLASSIFIED

of wage incomes spent in France on rent, light and heat is about 6 percent; in the United States it is about 17 percent. So rental is extremely low.

Personally, I think it is a great pity rents are as low as they are in France because they make, first of all, for the rationalization of a low wage scale, and second, dependence on Government financing for new housing and above all, you have that shocking condition of the great destruction during the war and no build-up of any substantial quantity of housing between the two wars. Housing conditions in France are simply appalling and have an unfortunate result on the population and on the whole social scheme.

The price support or subsidy program is very, very small.

Four years ago, when the Marshall plan first came into effect there, those subsidies which had previously been extended by the Government to the citizens were largely done away with. There is now no subsidy, for example, on bread. The Government fixes the price of certain agricultural products but does not subsidize on any large scale. One might say in that connection that by fixing the price, let us say, on wheat, they not only discourage a greater production of wheat but they have indirectly taxed the farmer who otherwise would have paid income taxes on wheat at a free market price rather than at a controlled price.

If we get further into this taxation, one can become enmeshed in considerable detail. When you include your social security payments, which will revolve around within the economy, in your total tax collections since they are not included in the French national budget, you get into an absolute mare's nest of calculations. But, generally speaking, it is true that the over-all collection of taxes in France has, as I say, for a period of 5 years been the second largest of any major nation in the North Atlantic Treaty Organization.

(Discussion off the record.)

Mr. RIBICOFF. In view of what you have said, Mr. Secretary, about the number of Americans, do you believe there are too many Americans employed in connection with the State Department, Mutual Security, and so forth, in Paris, one and two all over Europe?

Mr. BRUCE. I cannot answer the second part of the question because I am not familiar with the United States employment elsewhere in Europe. As regards France, I do not think the number employed there is excessive, because of the fact that so many of the American Government agencies have concentrated their head offices in Paris.

For example, as I recall the figures, in Paris the MSA branch office has about 80 American employees. But also located in Paris is the headquarters of the office of the special representative of MSA, who now has additional duties as well. That is a regional office for the whole of Europe. Many of the employees carried on the American Embassy rolls have duties which cover a territory far wider than France, in fact, the whole of Western Europe.

Most of the accounting, the fiscal work for all of our establishments in Western Europe are carried on in the Paris office.

You have a very large Battle Monuments Commission in Paris, occupying its own office building. The Department of Agriculture has a parasitic laboratory in Paris. The Public Health Service has a good many men stationed in Paris.

DECLASSIFIED

DECLASSIFIED

If you go through our different Government agencies you can see there is a concentration greater than anywhere else in the world, outside of the United States, located in that capital, and which is added to by the Military Establishment, the MAAG offices, for example, and the American contingent at SHAPE. So it presents, in regard to the question you asked me not only a difficult question to answer, in any detail, but it represents also a very unusual situation which I do not think would be applicable to any other country.

Mr. RIBICOFF. Do you think from a public-relations standpoint it is good for the United States in France or in Europe to have so many Americans concentrated in one location?

Mr. BRUCE. Consistent with efficiency, I would be in favor of having as few Americans in Europe or in any country as possible. I think it is a bad thing to have a large foreign contingent operating in another country.

Mr. RIBICOFF. My impression in going to Europe, going by myself, staying away from the embassies, was that one of the factors that worked most against the prestige or the influence of the United States was the large number of Americans in all countries in all agencies.

I, personally, in talking to many people, and many Americans who were very conscientious and hard working for the Government, sensed that we have too many. When we put the programs together, we have an over-all cut of 10 percent. I personally believe it could stand another cut for more efficiency and more United States prestige. This committee last time in putting the Mutual Security Program forward proposed that there be a 10-percent cut in personnel when all the agencies were combined. It is my intention to offer an amendment making an additional cut of the American personnel in these agencies. If we had a State Department bill in front of us, I would do that with the State Department, too, because I think there are too many there.

Mr. BRUCE. I cannot comment intelligently on the figures. I fall back on what I originally said, that consistent with efficiency it would be well to have our staff as small as possible.

Mrs. BOLTON. May I suggest that those three words are exceedingly important. "Consistent with efficiency."

Mr. RIBICOFF. Put an exclamation point on that. In talking to men in the Foreign Service and in our State Department, you get the feeling that they could do a better job if there were fewer of them.

The hardest working ones feel that way about it. They are bogged down with large numbers, and many of the large numbers are being infused by our State Department itself.

I call this to your attention because, being Under Secretary, it would probably come within your jurisdiction.

I think you sense this in country after country. It makes for inefficiency instead of efficiency. I understand, Mr. Bruce, you have had considerable executive experience in the business world. I have had a little bit. I know that as an executive it is a lot easier to work with smaller numbers of men than to work with a large number of men. An executive who has only two or three assistants and sits down in the morning and gets his work laid out for the day and gives orders to 2 or 3 men can do a better job than if he has to talk to 25.

DECLASSIFIED

DECLASSIFIED

This becomes very important. I think that one of the great drawbacks in the State Department in Washington, as well as abroad, is the inordinate amount of time spent on conferences. The men who have come to Washington into the State Department with considerable experience in other fields—and the State Department has gone looking for them, talking in conversation with them, constructively, these men are the ones who are helping make our foreign policy—tell me they are shocked at the amount of time spent in the State Department going from one conference to another.

They cannot understand how any work actually gets done. I think this is a criticism which is very valid. No business, no government, no one can work unless someone is free to do some thinking and working instead of running around from one conference to another.

I would hope, I know it is too late now, Mr. Chairman, that next year when we come back, if we are back and you are still in the chair, that we will really do a job of looking into the State Department and reorganizing it efficiently.

I think a job can be done separate and apart from that of the Hoover Commission, to make a better and more efficient State Department.

Mr. FULTON. Are you saying that to the Secretary or to this side of the table?

Mr. RIBICOFF. I was saying that to the chairman.

Chairman RICHARDS. Mr. Secretary, there has been a lot of discussion in the Congress of this gross national product business as a basis for a contribution to the Mutual Security program. We have a bill there, and one Member of Congress is going to testify before this committee in support of that.

You mentioned just now the situation in France as compared to the gross national product of the United States. What do you think of the gross national product theory as a basis upon which to fix contribution and responsibility in the Mutual Security Program? Is it fair?

Mr. BRUCE. No, it is not completely fair because of some of the reasons I mentioned. For example, the residue after taxation is affected so materially by the total national income. But as a yardstick for rough comparisons, I do not see how you can do away with it. You can use the term "national income" if you want; or "gross national product."

Mr. VORYS. What is the difference? You say "national income" which we all understand.

Mr. BRUCE. Gross national product is roughly all the goods and services of a country; national income is what is left after the deduction, primarily, of indirect taxation from it and also a depreciation allowance.

Is that right? Could Mr. Tomlinson make a statement on that?

Mr. VORYS. We have some economists here on our staff. The only reason I can figure that we jump from national income to gross national product is for purely public relations reasons. The amount looks smaller if you take the GNP rather than national income.

Mr. BRUCE. GNP is larger.

Mr. VORYS. No, the amount taken for the military always looks smaller if you make it a fraction of the GNP which is a larger figure.

DECLASSIFIED

DECLASSIFIED

Chairman RICHARDS. The proponents of this in the House will say that we should not contribute more to this program than France is contributing, or more in proportion to our national gross product than does anyone else.

As you stated, if that was the case, France has a greater proportion already than the United States, is that right?

Mr. BRUCE. Some other country may not have. I am speaking of taxes collected. When you get down to your military budget, you are in another field of speculation entirely. The United States military budget in proportion to gross national product is larger than any military budget in the world, except possibly Russia, but I am speaking of the western community.

We will spend this coming fiscal year, as I understand it, probably about 17½ percent of our gross national product for military purposes, military appropriations. I think it is about of that order, although you have not passed all the appropriations yet. But it is likely to be along those lines. In France, to show you how difficult it is to arrive at the figures on a comparative basis, France may spend in 1952 as much as 11 to 12 percent, but in addition to that, there is an item in their budget for reconstruction of war damaged property. This would bring what France calls expenditures for war purposes—we include veterans, and so on, in ours—would bring their total defense expenditure up to around 16 or 17 percent. So these comparisons are difficult.

Chairman RICHARDS. You always have to consider it in the light of what a government has to do otherwise, even if it is not a military war damage matter.

One of the proponents of the bill has just said that regardless of everything else they should be willing to proportionately throw in the pot that much. It is just that simple to some of them.

Mr. BRUCE. It is not, of course, nearly that simple. Also, the question of defense support is equally complex, along these same lines. What is defense support really? I know there is a great antagonism to the idea of continuing a form of so-called economic aid. Yet, when you analyze what you mean by "defense support" you have to consider what its impact is going to be country by country.

France is a good example of the problem. The French, although in theory their economy is so beautifully balanced between industry and agriculture, are dependent on the importation from the outside world of nearly all of their key raw materials that are of any consequence in connection with military production, copper, the nonferrous metals, rubber, tin, even petroleum, of which it has practically none.

When you get into those imports, if you have not the resources with which to purchase them, or if those resources are not made available either by grant or loan from the outside, you will have an economy which will run downhill at a staggering rate of speed, particularly that portion of your economy which is devoted to the production of military items.

You can just take it up commodity by commodity. Cotton, for example, is absolutely essential to a war economy. It is essential, of course, for making gunpowder, the manufacture of explosives, for military clothing. But the problem is much greater than that. Suppose in France no cotton was imported, and it has to import about 90 percent of its cotton. What would happen in a country where the

DECLASSIFIED

textile business is the largest business of the country, a country like France? You would have mass unemployment, commercial disorder.

When we talk of defense support we are really in a complex subject. I do not know the situation well enough in England to discuss it. I suppose there will be testimony given in regard to it. If you are going to use the words "defense support," to me it should mean support which is going to enable a country to build up a larger military contribution than otherwise it would.

In the case of England, I would have thought that defense support would include articles of food because England is an over-populated island from an agricultural standpoint, and if she does not import food I do not see how she can make her maximum war effort.

Chairman RICHARDS. While you are on defense support, I would like to get your opinion on its relative importance in the program. Let us suppose that this program or some part of it is necessary for the security of the United States. Let us further suppose that France is to receive $200 million for military end items and $100 million for defense support.

Taking into consideration France's contribution to the Mutual Security Program, and considering the security of the United States and our best interests, if you were going to make a cut, where would you make it? I am not assuming that there will be a cut, but if there were, would you cut from the $200 million for military end items, or would you take it from the $100 million for defense support?

Mr. BRUCE. Let me answer that from the American standpoint first. I have had no briefing on the mutual-defense bill. No one in the State Department or anyone else has spoken to me about it. I think I can unhesitatingly say—this perhaps reflects my own erroneous personal judgment—I do not think the delivery of finished end items, military end items, is nearly as important as sustaining the economies of these countries by the furnishing of the necessary amount of defense support which will enable those economies to function in such a fashion that you have sound social and economic conditions prevailing in those countries as a basis for their own defense effort. An endless supply of American tanks delivered in France are not only no asset without this base but I think might prove to be a liability if you have a country which is allowed to go into bankruptcy which, unfortunately, if I may say so, France would be on the verge of, in the absence of fairly substantial external aid, whether from the United States or elsewhere.

In the prewar period—I am talking now about the Second World War—you had still in France a fairly large mobile amount of foreign investments and large reserves in the Central Bank.

What is the situation today? France has no foreign assets which she can convert into hard currencies to buy these raw materials on which her whole industrial economy is dependent. In 1914 and again in 1939 she had such assets to meet her exceptional needs in time of crisis.

The Bank of France, the Central Bank, has a gold reserve of $550 million, an absolutely laughable sum compared with the normal needs of a central bank for a country of 42 million people.

Two weeks ago there was exactly $35 million, so-called free dollars, dollars the Government could use, aside from that gold reserve in the Bank of France.

If I can go a little further in that, I can give you an example of a thing that was unknown in the ordinary peacetime history of these countries. Last year France imported from the United States $120 million worth of coal. France has always been the largest coal-importing country in the world. But during a year when the total coal production in France was the highest in French history, yet $120 million had to be devoted to the purchase of American coal.

And why? Because of the exceptional coal needs in Europe for defense, the coal industry of Great Britain notably, and second, of Germany, which in the past had thrown off large quantities of coal for export are now unable to export the coal which France needs for its own industries. Therefore, it buys coal in the United States where the freight rate on the shipment of that coal is greater than the amount which the coal merchant in the United States is paid for it.

It is completely uneconomical. But if you did not have that coal coming in from the United States, what would be the situation in France? France had a steel production last year of almost 10 million tons, but the French steel industry operated at only 85 percent of capacity. Without that American coal, how would it have operated?

They have to spend a large amount of money for metallurgical coke. If they do not get that coke, the rate of steel production would go down further. They have a program for munitions. If they do not get what is in effect external aid, what happens to this industry?

Let me give you another illustration. You are going to hear a lot, I imagine, if you have not already done so, about the foreign reserves in England. But let me get back to this $550 million in France in gold. That is the reserve of the entire country.

The interest payments to the United States on dollar loans for the year 1952 in France, the interest and amortization payments, will amount to $140 million. They feel sure they must import a minimum of another 4 million tons of coal.

There you have, just to start off with, $260 million. That is only one of the factors that I give in answer to your question about defense support.

Chairman RICHARDS. How about NATO? What if you did not have a NATO organization? Would you still have the coal problem?

Mr. BRUCE. Yes.

Chairman RICHARDS. We have understood that there was to be no economic aid in 1952. Do you contend if it was not for NATO and if the Indochina problem had not come about, that France would still need economic aid from the United States?

Mr. BRUCE. That is a most difficult and a very interesting question to try to answer. It looked in 1950 and 1951 as if the French had begun to reestablish external finances. Their credit was such that they could even borrow in foreign markets. They had begun to attract financing from loans in Switzerland and other countries. They also obtained some money from private banking loans in the United States. What happened? When the Korean war broke out, the price of raw materials all over the world had a precipitous rise.

As I have said to you, France more than almost any other fairly sound country is dependent on the importation of its key raw materials from hard currency sources. So you had at once an inflation. The world price inflation was coupled with a great addition to governmental expenditures founded on an increase in the military program

for Europe and Indochina. These new expenditures, plus an effort to maintain the investment program and increase the standard of living, brought a new internal inflation. Fed by the tradition of inflation in France, all of the laboriously acquired financial stability in the form of the stability of the franc itself and its purchasing power was soon destroyed. It was not one generated only in France. It was world-wide in its effect. But because of Indochina, tradition and mismanagement in France in attempting too much, the external accounts or a balance of payments were soon in serious difficulties. Import needs became greater and earnings dropped. External credits from Switzerland, from the United States, from hard-currency countries, were out of the question. Therefore, France was soon again in financial difficulties even though their plant capacity had been considerably increased. France was dependent to carry on the increased defense effort on the further supply of assistance which we thought was on the verge of being terminated.

Chairman RICHARDS. I do not have some of the answer because it is getting too deep into the economic field for me, but I gather from what you say that for France to carry out its function in NATO you would say defense support would be far more valuable than the end items sent over there by the United States.

Mr. BRUCE. I profoundly believe it.

Chairman RICHARDS. You would first consider, if there was to be a cut, cutting military aid?

Mr. BRUCE. I would cut military end items; yes, sir.

Chairman RICHARDS. You wanted to ask a question, Mr. Chatham; did you not?

Mr. CHATHAM. Against this coal situation, approximately, what is the balance of hard currency that comes to France from their exports?

Mr. BRUCE. It is difficult to try to foreshadow——

Mr. CHATHAM. How many dollars do they earn?

Mr. BRUCE. Let me start with our tourist receipts. They got about $60 million from net tourist receipts in 1951 from the United States tourists in France. Last , however, in the export trade in France was an unusual ye ne reason for it was this: Our Government and people bough a great quantity of industrial alcohol in Franc and also bought a great deal of finished steel products. We have announced this year that we are going to buy no industrial alcohol, and also steel product sales will decline.

My guess is that the exports of France to the United States last year were about $360 millions Does anybody have that figure? Mr. Tomlinson tells me the highest annual rate was $406 million for the entire dollar area.

I can remember, Thurmond, during the Marshall plan period, when the French exports to the dollar area amounted to only $80 million. So, between this very high figure of $406 million and the very low figure of $80 million France will once more fall into, I would imagine, an export figure of perhaps $2 million.

Mr. CHATHAM. Plus the tourists?

Mr. BRUCE. Yes.

Mr. CHATHAM. I do not see any reason for the tourist trade falling off.

Mr. BRUCE. No. It may well improve, perhaps double to $120 million. French internal costs have been extremely high because of

domestic inflation. At the moment the export trade is in the doldrums. It has been affected, also, by the transfer to war production and the restrictions imposed by the trading partners of France.

Mr. CHATHAM. I have seen it published that the Indochina war was costing France approximately $1 billion a year.

Mr. BRUCE. It is more than that.

Mr. CHATHAM. Would that throw you back into a complete imbalance?

Mr. BRUCE. If the Indochina war could be terminated, you could repatriate the French Union forces that are operating in Indochina, and get rid of the expense of conducting that war in Indochina. The contribution that would be made by France to NATO, in those circumstances, would be such that I think we could be thoroughly satisfied that the defenses of the west in Europe would soon be strong enough to deter and if necessary stop an aggression.

Mr. CHATHAM. Plus the effect on the economy of France?

Mr. BRUCE. It is disastrous. Look at it in this way: The present budget for Indochina is roughly $1,200 million. There are other charges on the budget coming from the war in Indochina. But probably by the end of this year, as has happened in every preceding year, those expenses will rise above that figure of $1,200 million, maybe to $1,500 million.

The total French expenditures over-all, militarily, will be about $4 billion this year.

That is the proportion, speaking in financial terms, devoted to Indochina. But in other respects, the imposition on the French economy as a whole, but particularly on the war effort, is much more grave. You have today in Indochina, an army of approximately 200,000 men who are practically professional. There are no conscripts there. It is against the law to send a conscript to an external territory where a war is going on.

Chairman RICHARDS. One member of this committee has, I understand, suggested that that was being done practically with colonial troops and that they did not come from France proper.

Mr. BRUCE. Let me get into that one. Let us take a figure of 200,000.

Mr. MORRS. We have been given the figure of 140,000 of which 40,000 are French.

Mrs. KELLY. 30,000 were killed.

Mr. BRUCE. This is an important point, Mr. Chairman. Here are the figures from the military attaché at the Paris Embassy. They are as of January 1. I would like very much to get them in the record. I can recite them almost from memory, but we might as well be accurate.

Mr. MANSFIELD. Would you like to have them given out?

Mr. BRUCE. I see no objection whatever. They are matters of public record. The latest official report available to me, dated January 1, 1952, shows the following figures:

Officers:	
Europeans	6,923
North Africans and native colonials	176
Europeans:	
Under contract:	
Noncommissioned officers	28,300
Enlisted men	42,701
Conscripts:	
Noncommissioned officers	13
Enlisted men	557
North Africans:	
Noncommissioned officers	1,781
Enlisted men	30,763

Now, remember when you include the North Africans, the largest contributing territory in North Africa is Algeria. Algeria is a Department of France, and when you talk about North Africans you are talking, in many instances, of men who are French citizens and in all instances are people who form part of the governmental system of France.

Native colonials:	
Noncommissioned officers	3,870
Enlisted men	78,695
WACS:	
Officers	
Specialists	1,346

That makes a total of 195,125 as of the first of January which. I understand, has now been increased by Metropolitan troops to around 200,000.

Chairman RICHARDS. Of that number, how many come from Europe?

Mr. BRUCE. There are 78,000 Europeans.

Mr. VORYS. 78,000?

Mr. BRUCE. I am not counting even those North Africans who are French citizens, 78,000 Europeans.

Mr. CHATHAM. That is completely different from what I have.

Mr. VORYS. And completely different from what has been given in this hearing.

Chairman RICHARDS. Who gave the different figures in this hearing?

Mr. BRUCE. Let me say something about this French Union Army. As you know, for 50 years now the French Army has incorporated in it on an absolutely equal basis, regardless of the country of origin, these North African troops.

One of the things we have questioned the French in Paris about is the division between what they list as North Africans and the people from the Metropole. They answer that question with bitterness, because they regard this as their professional army. They do not distinguish between the people of the Metropole and the people of North Africa. The last time I asked that question one of the generals in the French Army said, "How would you feel if I went over to the United States and said to General Bradley, 'Tell me, how many Filipinos are there working on your ships and how many men of color are there in your army?'"

He said, "As far as we are concerned, the North Africans have always been members of our army, many of them citizens, especially those of Algeria, all are part of metropolitan France."

He said, "If you want to make a distinction, make a distinction between the Asiatics and others in our army." There have been

30,000 deaths in Indochina in the French Union Army, among which no Asiatics are included except those Asiatics which are part of the professional French Union Army.

I am sorry to go on about this, but I think it is an important point.

Mrs. KELLY. Could we have it broken down as to how many are mercenaries? I refer to Foreign Legion—Moroccans and Algerians.

Mr. BRUCE. May I say this in answer, with the exception of the Indochinese serving in the French professional army, and some members of the Foreign Legion, there are no troops in this army of which I have spoken who do not have representatives in the French National Assembly and who do not come from metropolitan France.

When you come to the Indochinese troops, you have to make a division among who are in the native army and those in the professional army. A large part of the native troops have been in the regular army. The figures I have given apply only to the regulars.

Outside of that, it is planned to have this year 120,000 troops in the native armies of the associated states, and France will spend $180 million for the equipment and supply of those native troops over which their professional army will have no control.

Mr. MANSFIELD. Are the French in Indochina to retain Indochina for France?

Mr. BRUCE. Mr. Mansfield, that question is one which is very simple to answer. If they are there to retain Indochina for France, the Frenchmen are collectively crazy. The expense of a single year of operation of the war in Indochina is greater than the value of all French investments in Indochina.

Mr. MANSFIELD. In effect, what they are doing is protecting south Asia and all the approaches to the west and to the south of Indochina from falling into the hands of the Communists, and they are doing it there because we have a vital interest in that area, too?

Mr. ROOSEVELT. Doing it for the safety of the free world.

Mr. BRUCE. I would have thought, if one can view the operations of any country as being unselfish, that this would be an unselfish move because the reasons for continuing a French army in Indochina for national purposes have long ago disappeared.

Mr. JAVITS. On Indochina, would you add as a capstone to what you have told Mr. Mansfield, what do the French see as a future in this situation? Where are they going and where are we going?

Mr. BRUCE. Can I go off the record?

(Discussion off the record.)

Mr. MANSFIELD. Indochina is a financial as well as a military drain upon France. If the French were not in Indochina, they would not only be able to furnish additional numbers of divisions for Western Europe but would also be very likely to maintain a pretty stable economy, is that correct?

Mr. BRUCE. All those statements are in thorough accordance with my views on that subject.

Mr. MANSFIELD. In other words, when we consider the contributions of France, we can say that she has been spending more for the past 3 or 4 years in Indochina than she has received from us under Marshall plan aid or mutual security?

Mr. BRUCE. That is right, sir.

Mr. MANSFIELD. And she is going out of her way perhaps more than any other European nation to defend the free world from the onslaught of communism?

Mr. BRUCE. That is also correct.

Mrs. KELLY. Can we find out what the collections were in the French budget as the result of the French occupation of Indochina prior to 3 years ago? The picture has changed considerably all over the world, but prior to 3 years ago the occupation of Indochina by France must have accumulated something in her favor.

Mr. BRUCE. Since 1940 Indochina was occupied by the Japanese. Since that, France has derived no income from Indochina, since 1940.

Mr. ROOSEVELT. May I suggest we adjourn?

Mr. RIBICOFF. I would like to have the Secretary comment after lunch, if you think it is proper, as to the attitude of France toward the United States-German policy beginning with our unilateral proposal to rearm the Germans as of September, 1950, and the attitude of France today towards the Russian proposal of the four-power meeting on Germany.

I think this is quite a question. I wonder if you think it is proper? Instead of questions I would like a little comment on that by the Secretary after lunch.

Chairman RICHARDS. Mr. Secretary, we do not want to hold you here too long this afternoon. Would you be available at 2:30?

Mr. BRUCE. Yes, sir.

Mrs. BOLTON. We would like to have a clear picture given us on the whole colonial picture.

Chairman RICHARDS. We have not been going under the 5-minute rule. Some members have not asked any questions at all. We are going to get on them right after lunch.

Mr. CHATHAM. For the record, I have another meeting at 2:30, but I want to put on the record how delighted I am personally that Mr. Bruce has come back here to the State Department with his knowledge of France and with his experience in other governmental agencies before that. I think we are fortunate indeed to have with us his ability and energy and intelligence.

Chairman RICHARDS. I am sure we all share in those sentiments. We will recess until 2:30.

Mr. ROOSEVELT. May I say that Mr. Bruce's statement on the defense support is the most valuable one we have had to the committee.

(Whereupon, at 1:13 p. m., the committee recessed until 2:30 p. m.)

AFTERNOON SESSION

(The committee reconvened at 2:30 p. m., the Honorable James P. Richards (chairman) presiding.)

Chairman RICHARDS. The committee will come to order, please. We will continue hearing, Mr. Bruce, on H. R. 7005.

John, I am going to start with you. Do you want to ask any questions?

Mr. VORYS. Yes, a couple.

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. Mr. Secretary, you mentioned the Schuman plan this morning and the European Defense Community, and said that they were both contemplated as supranational bodies. Take the Schuman

plan. Do they have a board of something like that that is to run it right from the start, so that it does not require unanimous action of the countries concerned in order for the plan to operate?

STATEMENT OF HON. DAVID K. E. BRUCE, UNDER SECRETARY OF STATE

Mr. BRUCE. That is right, sir. The Schuman plan will be run by an international executive. The participating nations have surrendered to it a sufficient amount of authority so that the plan becomes subject to its authority and its management.

Mr. VORYS. What is that executive? Is it nine? I have heard it described but I have forgotten it.

Mr. BRUCE. In the case of the Schuman plan?

Mr. VORYS. Yes.

Mr. BRUCE. I believe it is nine.

Mr. VORYS. How are they selected, the nine?

Mr. BRUCE. They are selected by the participating nations, with the larger nations having a greater voice in the selection than do the three smaller nations, which are the Benelux countries.

Mr. VORYS. I wonder if you or your advisers have it handy? Does everybody vote on the nine with a weighted vote, or does, for instance, France choose two, Germany choose two, Italy two? How are they selected?

STATEMENT OF WILLIAM M. TOMLINSON, TREASURY REPRESENTATIVE, AMERICAN EMBASSY, PARIS

Mr. TOMLINSON. It was envisaged there would be a breakdown by countries with not more than two of the nine coming from any one country. The representatives will be selected on the basis of competency.

Mr. FULTON. Will you identify yourself?

Mr. BRUCE. William M. Tomlinson, Treasury Representative in Paris, who was the representative of the Embassy on the Schuman plan.

Mr. VORYS. The French and German Parliaments have approved the Schuman plan?

Mr. TOMLINSON. The French Upper House or Council of the Republic still must approve the Schuman plan. It is almost a foregone conclusion. It is accepted that France will complete this within the next few weeks.

Mr. VORYS. How many of the others have approved it?

Mr. TOMLINSON. At least one of the Houses in all of the countries have approved it. I believe Italy, Belgium and Luxembourg remain uncompleted; there is to be additional action in one of the Houses in each of these countries. The Netherlands and Germany have completed their ratification.

Mr. VORYS. What I am trying to get at is how far along we are in the story of the integration there.

Mr. BRUCE. As regards the Schuman plan, Mr. Vorys, the National Assembly in France has approved it. The only possible obstacle to its finally coming into force is the necessary approval by the French Senate, the Council of the Republic.

It has been, as Mr. Tomlinson said, a foregone conclusion that they would do so. The reason they have not done so previously was

that it is necessary, according to the French Senate procedures, to have any proposition of that sort reviewed by committees of the Senate before it is submitted to the whole body for a vote.

Due to the two falls of government in a very short period, there was no foreign minister in a position to explain the bill to the committees and get the committee action.

I would have thought it almost certain that there would be approval by the French Senate.

Mr. VORYS. Would you attempt to estimate how soon, for instance, the Schuman Plan would be launched as a going concern?

Mr. BRUCE. It could be by the first of May.

Mr. VORYS. By May 1?

Mr. BRUCE. Yes, sir.

Mr. VORYS. As to the European Defense Community, you described to us a commissariat. Will there be a supranational body when it is approved? Will it be approved from that time on even though the parliamentary group proceeds to draw up the plans for a constitutional convention, so to speak? Do I make myself clear?

Mr. BRUCE. Yes. I think I can answer that. The powers which are surrendered by the participating nations in connection with the European Defense Community are surrendered in two stages.

One is to come into operation as soon as the plan has been ratified by the necessary parliaments. The other is predicated on the coming into being eventually of a political confederation or federation of Europe.

I have to break down the initial stage into two parts, which has been made necessary to some extent by the assistance which we are currently giving to some of the participating nations.

The great problem posed in regard to the surrender of sovereignty from the beginning was connected with the setting up of this authority, now called the "Commissariat," which would have control over a common budget and at the same time would be in charge of a common procurement policy.

Some of the nations, notably Belgium and Holland, said that they had undertaken military programs on the strength of commitments which had been made to them, and which they had made also to some of the other partners in NATO. They had let contracts, they had made provisions for the expenditure of money for military purposes. Therefore they did not wish to surrender to the Commissariat authority for the expenditure of those funds in a manner which would conflict with existing commitments.

So you will have a staggered period there. On the procurement side, a good many of our items scheduled for delivery over a period of the next year or two, and some of them in arrears from a delivery standpoint, have been counted upon in connection with the undertakings that these countries had given to furnish equipped combat troops to NATO.

As those are to be transferred to the European Defense Force they were very insistent, and again I speak particularly of the Belgians and Dutch, because no problem is posed for the Germans, that the end items coming from the United States would not be diverted from the purpose for which they were intended and which had been agreed bilaterally between their governments and our own.

That is the first period. As you get beyond the existing contracts, so to speak, and as progressively these institutions are able to exercise

a control over procurement and over expenditures through the common budget, then the new community, acting through its authority, which, in turn, will receive general directives from the Council of Ministers, will be clothed with a supranational authority as distinguished from a coalition authority and they will be able to operate the organization in a supranational manner. There is one limitation. After considerable controversy, and over the objection of the French and the Germans and the Italians, the Benelux countries insisted that a council of ministers should be given broader powers than the three major nations had wished.

The Council of Ministers are, of course, representative of the will of the national parliaments. The commissariat can receive general directives from that Council of Ministers until the second period is reached. Then the affair becomes a federal organization in the true sense.

Mr. VORYS. That sounds to me, if I understand you, as if you do not have anything that does not have a national veto until the second phase comes along.

Mr. BRUCE. That is right, sir. The reason for it is this: To create a supranational authority for the European Defense Community as distinguished from the Schuman plan, where the problem is much simpler, would require on the part of this new organization the power to bind parliaments of the subscribing countries to make the appropriations which the central authority has decided are the appropriations necessary to carry on the joint military effort.

The Belgians and Dutch said they could not do that without a change in their constitutions, and with other reasons as well, that they could not abrogate the power of their parliaments over global appropriations; that the Communists could make recommendations as to the funds which would be necessary for the Defense Community, but each parliament itself would have the final power to pass on whether that could be translated into actual national appropriations contributed to the supranational body.

Let me add this: The reason the question is so difficult one can imagine how it would be here or in any other country——

Mr. VORYS. Let me interrupt you. We settled all those questions here about 160 to 170 years ago, and it is pretty hard for us to imagine, particularly those of us who sat at Strasbourg, these infinite technicalities within technicalities they bring up about taking the step away from the national veto in Europe.

It is hard for us to imagine the difficulties, but it is not hard for us to imagine the possibilities. One thing that will certainly be considered around this table is not only to authorize our Government to make funds available to these organizations, but to earmark some of the funds so they will not be available any other way.

We have tried coaxing and other encouragement. One of the things that will certainly be discussed is whether the period of "or else" has not arrived. That is the reason for my line of questioning.

Mr. BRUCE. I understand that. On the expenditure side, on the other hand, there is no national detail. The retention of national authority only concerns receipts. That gets you directly into the question of taxation. It has always been contemplated that if there were a true federal union in Europe, the body which is to exercise functions under that delegation of sovereignty must possess some

taxing power. But to date in the European Defense Community there has been no possibility of getting nations who have become members to surrender the taxing authority even over that portion of their public financing which resides in their military budgets.

That is the most difficult step, I think, in connection with the Eruopean Defense Community, to get over. I do not think a restriction of funds on the part of the American Congress to those nations would have any particular influence on that situation. I believe, myself, that the situation can only be cared for at such time as you proceed into political federation, where you have a surrender of the ultimate authority, that is, of taxation.

Mr. VORYS. I had understood until just now that part of the European Defense Community's intermediate stage was that there should be a common budget and a common procurement, that the expression "common budget" meant not only to get up a list of what was to be spent, but authority within defined limits, possibly through the setting aside of certain taxes for that purpose, to raise some money; that it was to that extent to be a supranational body as soon as the convention on the treaty was ratified.

Mr. BRUCE. It will become so in regard to receipts. The way it will operate will be about like this: As the elements in the authority can take hold and exercise their functions they will say, "Let's assume that the end of this year—if it becomes effective in July—we will draw up a budget." Let us assume that it will be on a calendar year basis. The contribution of Germany will be so much this coming year, but to have that contribution actually paid over to the commissariat for use for the purposes of the community the German parliament will still have to appropriate the money.

One suggestion that was made in the course of this lengthy conference was that the authority itself should have the power to levy taxes. That was rejected with the statement on the part of all the members participating that once they had a federal union that would be feasible, but in the absence of a federal union they could not surrender on behalf of their parliaments that authority.

In practice, I do not believe the present arrangement will present any great difficulty. Let us take the German financial contribution. I have a figure on that. It was suggested by the TCC to be in the sum of 11 billion 350 million marks. That money, with the exception of the portion that will be devoted to the maintenance of the occupation forces in Germany, and even that may pass through the central authority, would be expended for the purposes of the community including the support of the German contribution of troops to the community.

But at the end of the year for which the Germans have made this pledge, their parliament has to make another appropriation. Their parliament will be asked by the central authority to make an appropriation of a certain amount. But so far as the treaty goes, there is no enforcing, there is no power of enforcement over the making by the German parliament of the contribution which is requested of it.

Mr. VORYS. Is the same thing true as to the financing of the Schuman plan, that it is still national?

Mr. BRUCE. No, it is completely supranational.

Mr. VORYS. I mean, has it control over its own budget not only on its spending budget, but over its own income?

Mr. BRUCE. That is right. It is autonomous. It can levy upon the production of the concerns which are engaged in these enterprises, coal and steel, to meet the community expenses. There are provisions also whereby it can levy upon them to improve the situation, especially in Belgium where you have a lot of marginal producers.

They have perequation or a price equalization system to take care of that. To answer your question more directly, the Schuman plan is purely a supranational authority and is self-sufficient in so——

Mr. VORYS. Within its limited scope?

Mr. BRUCE. Yes, sir. It is an important point because it is one that has provoked a great deal of difficulty in connection with the European Defense Community. The thing that has been agreed to in that connection is that when the central authority makes these requests to the members for military budgets which will be turned over to the common budget the member nations have agreed it will be a so-called one-line budget for defense. The parliaments will not debate or question the details of the money they appropriate for defense.

Mr. VORYS. The European Payments Union which was proposed a year or so ago is working well. Along that same line, I think that it was in this committee that it was determined that certain amounts would be made available solely for that purpose.

I understand it has functioned very well, except it appears to be undercapitalized. It would be far easier to obtain funds from the Congress, I suspect, for the European Payments Union than any national balance-of-payment items. I do not know whether that is part of the defense support that we are going to be giving or not.

But one of the things I feel quite confident will be discussed here is the matter of our getting awfully tired of this, awfully tired. On the floor just now there was a speech when there was an attempt to cut some money for Indians, and a Member got up and said, "Of course, they will cut that because they are Americans, but we are going to have a program come here for these foreigners and you will be expected to pass it with a whoop and a hurrah."

Unless this is pretty closely geared to the object that the Congress has had in mind for these 4 years, or since we have become so intimately engaged in European problems, it will have great difficulties.

That is the reason for my questions, and also my question about the European Payments Union. Probably we should consult the military on questions about the firmness of the national allocations of military equipment which are in the proposal or whether the military stuff might not be turned over to a united force.

I think I have taken too much time, Mr. Chairman.

Mr. RIBICOFF (presiding). Mr. Burleson.

Mr. BURLESON. Would you like to develop your questions?

Mr. RIBICOFF (presiding). As acting chairman, I will wait until last.

Mr. BURLESON. I think the information Mr. Vorys has just developed is most fundamental, but I would like to have a point clarified. Do I understand, Mr. Secretary, that the members of the Atlantic Defense Community dedicate their entire armed forces to the integrated program? In other words, does their army and navy, whatever it may have, go into the pot, or can they have separate forces beyond that if they maintain them?

Mr. BRUCE. Yes. That is a very interesting question, a very important one. Those nations that have overseas responsibilities, of

which the most notable one is France, have a right to keep those forces operating overseas outside the jurisdiction of NATO. By that I mean, SHAPE. SHAPE participates in this supranational authority because it has been delegated the command function.

In addition, there is provision made that for the support of those forces operating in overseas theaters a certain number of troops can be built up in their home bases.

There is also a provision about domestic police forces, which would apply to all countries equally. Those nations who are engaged in other overseas activities—for instance, troops stationed in Austria and Korea—could have those troops exempted from the operations of the European Defense Community.

But with those exceptions, all the armed forces of any nation cease to be national forces and become community forces, and are placed under the operational command of SHAPE.

In the case of Germany there will be no German forces, with the exception of police, that will not be embraced in this community and will not be in the common uniform and under the common control.

Mr. BURLESON. Looking at it historically, it is rather easy to understand the British attitude, is it not?

Mr. BRUCE. Yes.

Mr. BURLESON. As I understand it, these member nations doubtless have projected plans and have even appropriated money for those plans. Would it not take considerable time for that to be geared into this system, and I am sure it is exceedingly complicated.

Mr. BRUCE. The point which Mr. Vorys raised, of course, goes right to the heart of this whole subject of European federation.

When they began to discuss in the European conference this question of the tax authority, I must say that viewing it practically I never had any real expectation that it could succeed, because in the absence of a larger surrender of authority, which is really a political surrender, I cannot really believe that our Government, the British Government, or any Anglo-Saxon Government, would ever surrender that taxing authority for a limited purpose.

You would have to make your readjustments in all the rest of your budgets. If you had the Federal authority to do so, yes.

I can imagine, perhaps, surrendering the taxing authority over certain products, tobacco, as was suggested as one of the ways in which they might raise a very considerable revenue. But that, in turn, would have tremendous budgetary repercussions in the countries involved.

I think the compromise arrived at is satisfactory. In theory, one can say that a parliament would simply refuse to support these forces which it contributed in the measure that the community had decided it should support them.

As a practical matter, public opinion would not support it. I would think it almost incredible if a parliament did not contribute. If it did not, it would mean a dissolution of the forces contributed by that nation to the central community.

Mr. BURLESON. It would seem difficult for one who opposed the Atlantic Union, much less world federation, to insist in the most hearty and honest terms that any nation, particularly the British, surrender to any considerable degree, their authority in these vital matters. It touches deeply their very sovereignty.

Mr. BRUCE. The British situation is one that I think we should face absolutely realistically. Some of the French and some of the other continentals have entertained a long time the illusion that in one way or another they would wheedle the British into these various continental schemes.

Whether the British should or should not have done so, I will leave out of the discussion. As a practical matter, successive British Governments, the two recent British Governments, have repeatedly stated that under no condition did they envisage joining any of these continental schemes leading toward federation.

I think that I know what the answer to the British attitude is that the British Government as now constituted, and as constituted when the Labor Party was in charge of it, would surrender tomorrow whatever measure of national authority was required in order to meet an equal surrender on the part of the United States.

I think in talking to you once before we got into that question of the Atlantic Union and someone asked me what about the Atlantic Union. I said, "Obviously, it appears to me from a defense standpoint, and in some respects from a political standpoint, that federation on the Continent does not attain the objective which many of you gentlemen think a most desirable objective.

But when I reflect on it in practical terms, in the absence of the United States being willing to surrender some of its nationality, I think we are going along this road of the federation of the free world as far as we can unless our country is ready to surrender a measure of authority.

Therefore, this matter we have been discussing is from the standpoint of the ideal, a second-best solution.

Mr. BURLESON. Thank you.

Mr. RIBICOFF (presiding). Mrs. Bolton.

Mrs. BOLTON. I have just one or two little questions, and then I hope very much that soon you can begin on the African situation.

Does the French Government have facilities for advancing money to industries at all resembling our RFC, or must the French industry raise its capital through private financing?

Mr. BRUCE. As regards the nationalized industries, of course, the French Government has facilities for advancing money, but private industries are usually financed through bank financing and their own resources.

Mrs. BOLTON. It is quite separate, and there is no RFC procedure?

Mr. BRUCE. There is a French Government-sponsored agency called the Credit National, specializing in private industry.

Mrs. BOLTON. What specific industries contribute and can contribute to the defense support things that we are talking so much about?

Mr. BRUCE. The great metal-working industry is, I would think, one of the key ones which, as you know, has a great many ramifications, especially in the Paris region, the steel industry; concomitantly, the arsenal industry. I think the important thing to remember about the making of munitions in France is that immediately after the German occupation of the country all of the munition manufacturing facilities in France were either taken over by the Germans or else destroyed or dismantled.

DECLASSIFIED

The dismantlement had the greatest effect, because machinery was shipped out of the country, and now 12 years later the French munitions manufacturing industry is cluttered up so far as it exists at all, with obsolete material. It needs retooling. That is especially true of the airplane industry.

To start off again, as the types have changed, there has to be a development of prototypes. Then they have to lay out new factory plans. It is going to be a lengthy process. I must say myself I think there are certain proposed items of French military manufacture which they probably should not engage in. I believe in the long run it would be easier for us, from an economic standpoint, that they do not do so. There are security reasons as well that should not allow this production to be allocated in certain portions of France. The same would apply to the Ruhr.

They have a capacity for—which will be further developed—the manufacturing of propellants, ammunition, especially, and small arms. They are building tanks of various sizes. They have abandoned, and I think wisely so, the mass manufacture of their 55-ton tank, which was an excellent one. It would have taken a long time to attain its mass production. It would have been overcostly.

It seems to me from our standpoint that these nations should be encouraged, especially to get into the manufacture of spare parts.

Mrs. BOLTON. Thank you. What are we going to do about such articles as appeared in the London Economist on March 8? It says, among other things:

> It is clear that the Constitution of France does not work. It was intended to keep extremists out of power.

And it goes on for a few lines on that and then says:

> There is nothing wrong with the economy of France that an efficient, fair and for these times, moderate system of taxes cannot cure. The French have no valid claim on the economic sympathies of their allies until they have at least faced this fact.

On the face of what you have said this morning, this is almost ridiculous.

Mr. BRUCE. I am a very avid reader of the London Economist. I think on the whole their financial articles on the French situation—and in saying this I express, I think, the feeling of a great number of American economists—represent one of the most inaccurate pieces of reporting that I have ever known.

Mr. VORYS. Will the gentlewoman yield?

Mrs. BOLTON. Yes, indeed.

Mr. VORYS. Are you familiar with the Baumgartner letter to the President of the Council, dated February 29, which expresses just about the same sentiments?

Mr. BRUCE. I am familiar with the letter, but I am not familiar with the fact that it expresses the same sentiments as the Economist article.

If you will point out any section of Baumgartner's letter which backs up the thesis of the Economist, I would like to hear it.

Mr. VORYS. He mentions the depreciation in the franc. He says—

> It is without doubt in a large measure due to the events in Korea, but it is also due to reasons within our country.
>
> This second factor alone explains why rise in prices has been in the last 18 months more accentuated in France than in other European countries.

DECLASSIFIED

He goes on—

It will be especially necessary to act positively and strikingly in the realm of public finance in order to put an end to the continual budgetary deficit.

You have the letter there before you. Mrs. Bolton merely referred to taxation. This letter is broader. But it refers to the necessity to act positively and strikingly in the realm of public finance. Coming from the governor of the Bank of France, it was impressive to me, particularly as the chart furnished by the MSA shows that the inflation in France is completely out of line with that, I think, of all the other 14 countries.

Mr. BRUCE. That is right. It is the most drastic of all.

Mrs. BOLTON. There is an interesting letter from the French Information Service which gives a very clear picture of what the French are really doing and what part the tax plays, and so on. I think you will be interested in that.

Mr. BRUCE. Let me address myself a little to the Baumgartner letter, because I have had a lot of conversations with him.

He is the Governor of the Bank of France. He had formerly been the head of the Credit National. He is a most able, patriotic, and accomplished man. He has been very concerned about inflation. However, at no time has Baumgartner been concerned about the total amount of taxes collected in France, to get back to what I said this morning.

You will notice in his letter he states:

It is the profound sentiment of the council general—

that is, the council general of the Bank of France—

that the state like the public is living above its means.

I would agree with that.

In 1950, the Republic's finances were in balance. After the Korean war broke out and after the rearmament program came into force, you had the public accounts thrown into a state of imbalance. You had an inflation which followed, as I said this morning, and the stability of the franc disrupted by, primarily, in the beginning, this great rise in raw material prices on which the French industry was dependent.

Baumgartner, as head of the Bank of France, also had the problem posed to him of how you would attempt to control inflation through credit controls. He is the final court of resort in the administration of credit controls.

Mr. BURLESON. If I may interrupt you. You mean the world market of raw materials?

Mr. BRUCE. The world market of raw materials, insofar as France is an importer of certain of these raw materials. But it was the world market in raw materials, not domestic French prices, that started it. The French undertook to subscribe to an armament effort which was beyond their financial capacity except with unprecedented foreign aid to pay for it.

There is the genesis of the present critical situation in France.

The development of inflation has been a very rapid one. The rise in prices in France has been very rapid. That has been the reason for the depreciation of the value of the franc, expressed in terms of outside currencies. I would like to describe to you what Baumgartner said in his letter. I would like to go off the record for a moment.

DECLASSIFIED

Mr. RIBICOFF (presiding). Off the record.

(Discussion off the record.)

Mrs. BOLTON. Mr. Secretary, we are very troubled over the situation as it is developing between France and her colonies and her other appendages.

The Tunisian situation, as it was first explained to me—for your information, that is my subcommittee—was, that Schuman had made an arrangement with Tunis that they would have an autonomous life, that they would still be tied to France, but that they would control their own destinies.

Then when that became known to the colonials, they soon went in and took over the positions that mattered. In fact, they created a situation which was in direct opposition to what the agreement had promised. This naturally stirred up the national feeling to a very high pitch, which has resulted today in the situation as we find it.

During the past year I have been approached by a great many people from that area, and after some consultation with one or two in the Department, and with the chairman, it was thought perhaps if they could talk with some member of the committee who was sympathetic, it would prove ultimately useful.

The sense that they always leave with me is that they cannot understand this country which was a colony and which has declared its own independence, aiding and abetting a government which is suppressing those who are expressing their own national spirit.

Then came the Moroccan problem. Dr. Aboud was here and went on television. He is extremely intelligent and did a fine job although he had a very difficult Frenchman vis-à-vis him.

As he was a friend of a friend of mine he came to me 2 weeks later and I had an exceedingly interesting talk with him. In the course of the television business he told of the refusals to give him permission to come over here. The Frenchman was saying anybody could go any place in and from Morocco. He said that he could not go any place without getting a British visa.

Then there was the matter of free education—400 or 500 of them asked for free education and were put in jail. Things like that, he said, are happening. Such matters are being brought to us all the time from those countries.

I wonder if you could give us a picture of the French attitude, which we apparently are supporting, why we must support it, if and why, and what lies ahead of that. The Tunisians say it is another Indonesia. They are growing more and more rabid on the subject. I did not mean to dissertate. I wanted to ask a nice simple question.

Mr. BRUCE. I would be delighted if it was within my competence to answer that question, but I am incompetent in every respect to do so.

Mrs. BOLTON. I cannot believe it.

Mr. BRUCE. The Paris Embassy, and this is not usually understood, has no jurisdiction whatever over the French protectorates.

Let me distinguish between Tunisia, Morocco, and the rest of the French Union. They are the only two protectorates and they operate under treaties between the governments and the French Government. Those affairs are handled exclusively from the State Department in Washington, through its representatives in the protectorates, who are not accountable to the Embassy in Paris.

Mrs. BOLTON. I am sure they are not.

Mr. BRUCE. I would come into it and have a slight familiarity only when the American Government wants to deliver a note on the subject of Morocco or Tunis. Then I was the channel of transmission.

Mrs. BOLTON. As Mr. Richards has the transmission of this bill.

Mr. BRUCE. I would not like to try to define what Mr. Richards does. I do not preside over those who concern themselves with Tunisia and Morocco.

Mrs. BOLTON. It will be necessary then for us, through Mr. McFall, to inform the State Department that we want a very real clarification of our attitudes and of the situation. We do not need the top Secretary. We need somebody who knows the top workings.

Mr. MANSFIELD. I might say, and John can back me up on this, that both the question of Tunis and of Morocco came up in the United Nations and we took the side of France. We had to forego a personal or national feeling on this matter because we recognize what the French are doing in Indochina and how important they are in Western Europe.

Furthermore, as far as Morocco was concerned, we understood there is just as many down there opposed to a change, the so-called Berbers, as there are in favor of a change; in fact, a little bit more opposed.

If you settle that question by giving in to these Moroccan nationalists, you bring about a problem that will bring about civil war among the two groups.

Mrs. BOLTON. I have about five sides come to my door.

Mr. MANSFIELD. This is six.

Mr. JUDD. Will the gentle lady yield?

Mrs. BOLTON. Yes, indeed.

Mr. JUDD. There were a good many more Loyalists and Tories than there were Sam Adamses and Patrick Henrys, but the rebel minority got their independence.

Mrs. BOLTON. And some went to Canada.

Mr. VORYS. I think it would be good if the Secretary could give us a fill-in on what he did on the subject. I think it would be enlightening for all of us. Whether he was errand boy or not I feel sure he can give us a good picture of it.

Mrs. BOLTON. Would you rather have it off the record?

Mr. BRUCE. Yes.

(Discussion off the record.)

Mrs. BOLTON. Thank you very much.

It is exceedingly helpful and I think the more of this kind of thing the committee can have, the better it is because we are called upon to sit in with these people and there are always two or three sides to everything. I am learning a method of procedure which makes me able to play along until I can get accurate information. Some of them are very much wrought up, as you know. We could be a factor in smoothing out at least those that are here.

Mr. BRUCE. I agree with that.

If I may go off the record——

(Discussion off the record.)

Mr. RIBICOFF (presiding). Mr. Mansfield.

Mr. MANSFIELD. Mr. Secretary, I am delighted that we have had you here today and I want to join with Mr. Chatham and other members of the committee in saying that it is a privilege to have you

and it is certainly good for us. I am very happy we have had a chance to talk about the situation in Indochina and the real contribution which France is making there as well as this detailed synopsis you have just given us about Morocco and Tunis. It was really interesting and worth while.

When I came in, Mr. Burleson was talking about federation. Do you not think that on the basis of what the French have done in pushing the Schuman plan, the Pleven plan for the European army, plus the fact that there is serious talk of a customs union between Italy and France, plus the fact that there is a customs union in the Benelux area, plus the fact that there is a customs union in the Scandinavian area or one is being contemplated there, that tremendous strides have been taken since the end of the war in moving toward the goal of a federation of Western Europe. Would you agree with that?

Mr. BRUCE. Well, Mr. Mansfield, I may be rather prejudiced as an observer of this political federation thing because it seems to me that from the standpoint of the countries in Europe, it is the most significant thing which has happened for centuries. I am astonished at the progress that it has made. That it will go further I confidently believe, because the sweep in that direction is irresistible. That it will meet with difficulties during its progress because of the complicated nature not only of the economies, difference in financial systems, races, languages, and what not, but because of the animosities of the past, the struggles of the past, I am resigned to, but that the goal will be achieved I believe sincerely. It is going to come to pass, is going to come into being in our lifetime, and I hope within a period of a very few years, or less than that.

No one looking at the situation 4 years ago could have imagined that the steps which have been taken would have been possible of accomplishment during that period.

The most amazing thing of all, I think, is the joinder for common purposes of France and Germany. I think that is the most astonishing of all; and the Germans, a certain number of the Germans, are enthusiastic about proceeding to a federation. The Italians are. The Belgians and the Dutch are committed to one. And in their own parliaments, the debates have shown that they were more favorable, more favorably disposed toward the ultimate step of political federation than they were of transforming a coaliton of armies into a common defense undertaking.

The future, provided there is no war in Europe, holds the promise of this fulfillment, I feel certain; and its significance cannot be exaggerated because there is no future as I see it in Europe as now constituted. One would hate, I am sure, if we were French or Germans or Italians or something else, to lose such a large portion of our own nationhood as will be entailed in the surrender of a great degree of sovereignty to some supranational body. But if they look at it realistically, it is their one real hope of peace.

Secondly, it is their one real hope of no longer being dependent on the bounty of other people. Autarchy in the economic field is becoming impossible for those countries.

You can talk to some French who believe they can survive under almost any conditions. One-third of them are on the land now and they say that the rest of them would go back to the land and somehow scratch along. But it is a security problem which they cannot conquer

under those circumstances, even if their standard of living is reduced to that of a peasant in the time of Louis XIV.

In the past, almost every one of those countries—certainly France and Spain—were able to put themselves from a defensive standpoint in a position where they could keep an invader from overrunning them. There is no chance of that in the future. There is absolutely no possibility of it and everyone realizes it.

That is another reason why they are inevitably being driven together. There is an idealism behind it which is very striking indeed. It is extremely prevalent among the younger people and among the younger people who traditionally would dislike a combination the most, the French and the Germans.

Mr. MANSFIELD. My purpose in bringing it up, Mr. Secretary, is to point up once again the fact that the French are making great contributions and when you consider that the initiative for an entente, so to speak, between Germany and France as well as surrounding countries, was advanced by a French Foreign Minister, Schuman, when we think of Premier Pleven doing the same thing for the same countries, almost on the military level, it appears to me that we owe a great deal to the French in spite of the bad press they have had in this country for the many fine things they have contributed.

I think also, and I think this ought to go in the record, that we ought to appreciate people like Dr. Judd and Mr. Vorys and others who have striven to get this concept across in legislative statements ever since we started talking about a foreign aid bill. So maybe this committee can take a little joint credit for the remarkable progress which has been achieved to date.

Mr. BRUCE. I think the Congress is fully entitled to it and especially for this reason: That I am certain that without the sympathy of the American Congress the achievement of the Schuman plan would have been impossible.

I think without the encouragement of the American Congress in connection with the European Defense Community, that without it they would not have arrived at the present point near fruition and of course the final approval by the parliaments would have been a complete impracticability.

Had it not been also for the encouragement from a military standpoint that was given by General Eisenhower, I think the military complexities would have been too much for the revolutionary idea of forming an army of this sort. It would have gone by the boards in the beginning and we would not even have had a discussion of the political principles involved.

I think that the constant, uninterrupted sympathy which has been displayed with regard to these plans has been essential for their birth—not alone for their birth but for their growing up as far as they have; and I do think, Mr. Mansfield, that they are doing something which has great importance.

The instability and fickleness of government in France as it causes concern even in that country, but more especially in other countries, gives one very often pause as to whether there is any real underlying stability in France. But as far as the philosophical life of that country is concerned, I think they have again proved in the last few years to be the most original thinkers of our time and that these contributions which they have made in the field of European integration—and there

are many of them as you know, that toy with a field much wider than that of Western Europe, has been a very "significant," if I can use that word again, philosophical contribution. It has had an effect on thinking here just as the physiocratic doctrines in France had such a tremendous effect on Thomas Jefferson, and the writings of the encyclopedists had very direct effect on the formulation of our ideas regarding independence, and finally on our ideas in connection with the drafting of a Federal Constitution.

Mr. MANSFIELD. Thank you, Mr. Secretary.

That is all, Mr. Chairman.

Mr. RIBICOFF (presiding). Mr. Smith, you have been so patient. You sat here all day and have not asked a question, and I think we will all defer to you to take as much time as you want. You are entitled to it.

Mr. SMITH. I will not take much time, Mr. Chairman.

Mr. Bruce, I want to join with Mr. Mansfield and the other members of the committee in saying how happy I am that you are here today.

One thing that bothers me in this whole program is this matter we have been just discussing, namely, that of political instability, and I am just wondering how far in the long run we can expect that there might be a change.

When you stop to think of it, the new French Government was elected a year ago in February, and we have not had much stability in that length of time, have we? There was about a 4 months' period, was there not, that one government has stayed on?

Mr. BRUCE. The last election was in the month of June, last year.

Mr. SMITH. Last year in June. Well, there has been a good deal——

Mr. BRUCE. There have been several cabinet changes in the intervening period.

Mr. SMITH. Yes. Now, this all seems to me—perhaps I am in error about this—but it seems to me that the program must eventually rest upon stable political conditions. I do not see how we can possibly develop a sound economic situation over there until we have some stability in the political field.

Now, I take it from what you have said that eventually we are going to have political stability there. Do you feel that way about it and if so, how long will it be? I get back to the point that Mr. Vorys made earlier that the people are going to ask "How long? Oh, how long? How long is this going to continue?"

Mr. BRUCE. Well, let me separate my answers a little. It does not seem to me that the question of American assistance to France or the necessity for it, to maintain some sort of sound economy there, and to get a proper contribution to western defense, has been directly affected by the political instability in France because as I said this morning, the foreign policy is constant.

Now, something I did not say this morning is this: That since liberation you had these many changes in Government. The conduct, the administrative conduct of domestic affairs has not suffered as much as one might think because the same group of parties has continued. All of the frequent changes in Prime Ministers and members of the Cabinet for the most part, the people who have had the direction of domestic affairs, have been the same people although

sometimes occupying different Cabinet portfolios. M. Pleven, for example, is now Minister of Defense; he has been a previous Minister of Defense. He has also been a Prime Minister twice in the last 2 years. M. Queuille who is perennially in cabinets has occupied in the course of his life something like 32 different Cabinet positions in France, and since liberation he is the man who remained longest in power as Prime Minister, I think for 13 months. Bidault and Schuman have been the only foreign ministers since 1945, and foreign policy is affected even less by these changes than the domestic is.

I would answer another part of your question: Do I have any confidence that they will have greater stability in government under the present constitution?

I have not. I have a hope that they will get greater stability in Government through a change which will make it possible for the executive branch of Government not to be as dependent for its tenure of office on what has really become the whim of the legislative branch.

As I tried to explain this morning, the historical reasons for that situation are ones which are understandable; but in this modern world, given the great complexities of what the French Government has to undertake, it is not a workable way to maintain the government of a large and, from our standpoint, a key country in Europe. Therefore, it must change.

However, here is the real difficulty and one which I did not mention at all today. The real difficulty is this: at this election that you spoke of last June, what did the popular vote really indicate? It indicated that 45 percent of the people in France voted for candidates who were Communists or de Gaullists. In the National Assembly of 627 members, there are 117 de Gaullists and 101 Communists. There has been a slight change in those figures but that is the way it was about three weeks ago; one Communist has since then committed suicide and a de Gaullist has resigned. But I fall back on the 117 and 101.

Now, in a chamber of 627, a combination of 218 is a pretty formidable obstacle to carrying through any policy, particularly regarding a contentious domestic affair. The parties are split from stem to stern on what is called clerical and anticlerical aid for schools. That is traditional in France. Clericalism and anticlericalism lay dormant for years. Suddenly, it rose up again and assumed a serious proportion in connection with the last campaign so that unfortunately, although the issue itself is of little consequence, the parties got pledged to what measures they would advocate if elected to parliament as a result of this agitation going on over the clerical issue. They thus became the prisoners of their own previous commitments.

However, as long as you have 45 percent of your population voting for two parties who are opposed to the present government, the ability of that government to conduct affairs in a reasonable manner is limited.

Now, the hope, of course, that many people entertain is that the de Gaullists will eventually join in a coalition or show themselves from the standpoint of their opponents to be more reasonable about the conduct of Government.

There is nothing to be expected from the Communists, nothing whatever, except that as security conditions get better, as social conditions improve, and indeed there has been a vast improvement, of course, since liberation, but the standard of living is still far from

satisfactory; it cannot become satisfactory in a time of inflation like this with larger burdens really than the economy ought to bear; but those conditions will finally, during a period of peace, improve. Then your Communist power will, as it has been doing steadily, diminish further. But if you simply subtract 101 Communist votes from 627—if the Government could count on the de Gaullist vote, there would not be the problem of instability that we have in France except for the reasons I have already mentioned, that the system of overthrow by parliament without parliament itself being subject to dissolution, in my opinion, is basically a very bad system indeed because you have no checks and balances.

Will the de Gaullists come into the Government? An attempt was made when Reynaud was asked to form a cabinet this last time to have a coalition in which de Gaullists would be included. The Socialists will not join any cabinet in which the de Gaullists are included. So you start off with a loss of 106 votes there.

As you look into it, there are a great many obstacles to stability, but none of them, as I said before, is unconquerable. It is possible that under those circumstances the Socialist Party will split; it is possible that the de Gaullist Party will split. They have never occupied offices. They have a large representation, the largest single representation in the parliament, but they are not in positions where they exercise the authority which many of them want to exercise.

A great many de Gaullists, and I do not think this is being critical of them at all—a great many de Gaullists attach themselves to de Gaulle because he is such a popular individual. Their hope is to ride into office on his coattail; they will be making their own dispositions if they see themselves permanently barred from office.

However, de Gaulle is a most interesting individual. He does not want to come into Government except on his own terms. He does not want to come into Government, however, on the terms that some people have always feared that he would embrace in order to attain power. He does not seek to be a dictator. There is no question whatever for the past years that at any time de Gaulle could have seized power in France and could have run the Government in France. He has not done it because he is a strict constitutionalist. He disapproves the constitution but as long as it is the constitution, he subjects himself to general elections. He shoves off the people who say, well, why couldn't we have a little coup d'état, which I assure you would have been easy enough although it might have provoked riot, civil disturbances of every sort, even civil war; he could have had it but he does not want government except on his own terms and he does not want it by dictatorship.

So that is the problem. If the party splits because the people in it have been deprived of office for a long time, it may be that elements in it will line up with other parties. If they think that the eventual chances of General de Gaulle being Prime Minister and their being rewarded by places are not as favorable as they once expected that may happen.

Mr. SMITH. It seems to me, if I might suggest it, that the economic situation is having a terrific effect upon the political. I think that we would take the wind out of the sails of some de Gaullists and also out of the sails of the Communists if along with this increased production of 144 percent or 140 percent prewar there would be a fairly decent

rise in the standard of living; and is it not a fact that over in Britain today the lever Bevan is using on Churchill so far as our aid program is concerned is that he says, "You are driving us into bankruptcy"?

If this program that now has been approved by the Churchill Government is carried on, it seems to me that those things bear considerably upon the question of political stability. If there was not this threat of starvation and poor standards, austerity living again, it seems to me that the political situation would right itself quickly and there would be great confidence in government and it could go ahead and make considerable progress.

Mr. BRUCE. I will have to go off the record to answer that one because it is a very interesting one.

(Discussion off the record.)

Mr. SMITH. I think we can go on the record here. I am frankly worried about the extent of this military program; and I am afraid that we are going to get ourselves in a position that we just referred to. I am just wondering. We have had the testimony of General Gruenther to the effect that there is no imminent danger. Why cannot this military program be stretched out so that it is not going to have such a terrific impact on the situation? What is the difference between having communism or in going broke and driving these people into the arms of the Communists by this kind of a program?

I have this feeling, too, Mr. Bruce, that we have brought this on ourselves and we are bringing it on ourselves every day. We constantly talk about this program being in the interests of our security and it has been an excuse for Bevan and it has given these men in France an opportunity to say, "Well, here is your American imperialism" and the folks that they are talking to believe it. I told General Gruenther that we are coming out second best again on this propaganda front where they say, "We will give you bread and peace, here it is; but America will give you arms and another war."

Now, I am just exploding here for a minute just so that I can do my own thinking.

Mr. BRUCE. Shall I answer that or reflect upon it, comment on it?

Mr. SMITH. I wish you would because I respect your judgment.

Mr. BRUCE. I would think, sir, that the program for rearmament as conceived or as approved at Lisbon was within the compass of our allies provided that—provided that the American Congress appropriates the amount of money for mutual aid which has been asked of it and provided that the calculations on which that request for appropriation are made or based have been accurate and judicious calculations.

Mr. JUDD. And not disturbed by further increases in raw-material prices and so forth.

Mr. BRUCE. And not disturbed by changes, drastic changes in price levels.

Now, I am thoroughly in accord with the idea of having France furnish the number of divisions which are now contemplated under the Lisbon arrangement. It is within their power to do. They have got men who are already trained to form these divisions. They must be equipped. But I do think this, that unless there is economic aid—I was talking of this just this morning—unless there is the kind of support which they are unable, even if they have a tax collection of 100 percent of their income, to supply to themselves because they

DECLASSIFIED

have not got the hard currency sources, they cannot carry out the level of defense foreseen.

If they get that support then I do not think the military burden that France plans undertaking is beyond its capacity.

(Discussion off the record.)

Mr. BRUCE. Now, Mr. Chairman, let me answer the remaining part of the question but ask you to let me do it in a very privileged way indeed. This is the only time I have ever been before a congressional committee as a private citizen and I shall only be one for a couple of more days, and if I can go off the record, I would like to answer that question because I do not know what Government policy or anything is about this.

(Discussion off the record.)

Mrs. BOLTON. I thank the chairman for giving Larry a chance. He sits here many times with great patience and asks one little question and the time is up. I congratulate the committee for having the benefit of his careful thinking.

Chairman RICHARDS. Larry is a quiet thinker but nobody ever refused to give him as much time as he wants. If we do not give it to him, he takes it.

Mr. SMITH. Some time, Mr. Secretary, I would like to have your views on the necessity for all these roaming missions we have all over the United States. More business people have written me. Why do we have to entertain these missions from all over, all these foreigners coming in?

I was grounded at the airport in Detroit a couple of weeks ago and here was a man from ECA. He had three people with him and they were entertaining three foreigners four Americans taking care of three foreigners. They had been in my own city inspecting the agricultural implement industry, and I said, what are these fellows? He says, well, they are farmers.

Last night I was at a meeting of the industrial men from my State and they were wild. They had missions inspecting the veneer plants. "What are you coming here for?"

Mr. JUDD. Venereal?

Mr. SMITH. No; veneer. They said the argument was, we are preparing these people; we are going to be in competition with you pretty soon. That waves a red flag in front of these businessmen.

That is all, Mr. Chairman.

Chairman RICHARDS. Would you just care to say a word? Lawrence, as Mrs. Bolton says, is one of the best members of this committee. He has talked about what might happen because of the things that we are doing.

From an economy standpoint, what do you think would have happened if we had not done the things we have done in Europe?

Mr. BRUCE. I think we would have a defense budget today which would make what we have been discussing seem like——

Chairman RICHARDS. Chicken feed?

Mr. BRUCE. Peanuts. Because one thing I believe——

Mr. ROOSEVELT. Peanuts is a very favorite item of this Congress.

Mr. BRUCE. Small change.

Chairman RICHARDS. Do you think Mr. Smith would have had the choice then of voting for a budget for defense of our own country and to equip our own troops of maybe $150 billion, something like that?

DECLASSIFIED

Mr. BRUCE. I do not think we could have done it for that.

Chairman RICHARDS. So it is a choice, you have got to take a calculated risk and a calculated choice, have you not?

Mr. SMITH. For how long?

Mr. BRUCE. I would think so.

I think there is another consideration which enters into it. That is the fact that we started on this policy a great many years ago. In effect we started on it in 1941 and we have put a great deal of money into it, some wisely, perhaps some unwisely, but certainly when we began to send this assistance to Europe, with, and aside from our humanitarian motives, with the desire to restore some measure of economic sanity on that continent, we undertook a job which was remarkably successful in that I think that practically every Communist in France and Italy will say that had it not been for that assistance extended by the United States, that they would have had no difficulty by 1948 or 1949 in having constituted Communist governments in those countries and brought them within the orbit of the Soviet.

Now, just to reflect a little further along those lines, it seems to me, Mr. Chairman, that having embarked on that course, that to turn away from it, in connection with this most vital question of national security, if our national security does extend as far as the Elbe River, it would be like paying huge premiums on an insurance policy and suddenly ceasing to pay any premiums at all and let the policy go by default. It does not seem to make good sense.

Chairman RICHARDS. Do you agree with that, Lawrence?

Mr. SMITH. I have some reservations, but I respect his judgment.

Chairman RICHARDS. Are there any other questions?

Mr. Hays?

Mr. HAYS. Mr. Bruce, do you happen to know anything about a firm that is sending out bulletins from Tunisia?

Mr. ROOSEVELT. A newsletter. I am getting it, too.

Mr. BRUCE. No, I do not. As I said a little earlier, I am really fundamentally ignorant of that situation in Tunisia. It did not come under the Paris Embassy and I have not informed myself about it since I came home.

Mr. HAYS. You probably, then, would not want to comment on this sentence:

> Generally speaking, American opinion should be on its guard against the inaccurate or tendentious information which is put out by certain political agencies in the Arab countries. The Maghreb, for example, keeps American newspapers supplied with a steady stream of patently false reports on the position in north Africa.

Mrs. BOLTON. It may be true of others.

Mr. HAYS. You do not know. I have an idea that this is being disseminated rather widely now and I wondered if we should not take steps to check up on the source of that statement, for example?

Mr. BRUCE. I am sure that can be done and should be checked.

Chairman RICHARDS. Do you want that checked?

Mr. MCFALL. This is the first I have heard about it.

Mrs. BOLTON. Let us ask them to check on it.

Mr. MCFALL. I will.

Mr. VORYS. The something-institute, high-studies-or-something kind of a newsletter. I suppose we are all getting it. Who are those fellows? Do you know the thing I refer to?

Mr. BRUCE. I know them well. Some of the people connected with it are prominent intellectuals and academicians.

Mr. VORYS. Whenever we get stuff, we want to check their angle—interesting stuff.

Mr. BRUCE. Very high grade.

Chairman RICHARDS. Dr. Judd, you said you had something.

Mr. JUDD. Yes; I have two or three questions. One is on this matter of what it would have cost us if we had not carried out this program. That is one of the things we do not need to speculate about because we tried the two different policies and can compare the results. In Europe, we tried a positive policy of trying to win and what it cost, as you said, was peanuts compared to what the alternative of letting Europe go would have cost. In Asia, we did not adopt that kind of policy and we lost in Asia, and look at what it is costing us in men and money to try to save something out of the wreckage of the explosion we did not prevent.

We would have had the same sort of situation in Europe as we have in Asia if we had followed the negative policy in Europe that we followed in Asia.

Chairman RICHARDS. You did not have the tools to work with in Asia that you had in Europe, did you?

Mr. JUDD. How do you know? We tried in one place and succeeded. We did not try the same way in the other and we lost. I have never said we could be sure to succeed in Asia even if we tried in earnest, but I knew we could not succeed if we did not try. We succeeded in Europe. We did not succeed in Asia. We have not seen anything yet compared to what we will witness in Europe if we were to be as negative there as we were in Asia.

The other question is the matter of European Union or Federation. When you were talking about the remarkable progress that has been made, were you thinking only of the six countries on the continent, or did you also have England and Scandinavian countries in mind, too, as being part of this great movement toward closer union?

Mr. BRUCE. Well, I think in England notably and probably to a lesser extent in Scandinavian countries, there is a very strong body of public opinion in favor of a federation, a federation that goes beyond the scope of this one between the six continental nations. But neither the Labor Party nor the Conservative Party in England has favored that, as you know.

As I said earlier, I think you were out of the room, the thing which might attract the British into such a federation would be our presence in it because the British are still placing themselves with their dominion connections and what not on a plane of political action which roughly parallels our own and are unwilling to engage themselves in a continental federation which they would probably be the leaders of and which their participation in would insure the success of.

I do not criticize that one way or the other because that is the sovereign right of a country to make up its mind, but I have thought, as I said earlier, that the only way you are going to get England fully into any federation is on the same terms as we would enter any such federation.

Mr. JUDD. But you do not think it is hopeless on the Continent even if England and we both abstain?

Mr. BRUCE. No; I think the federation is going through.

Mr. JUDD. If they cannot get all, they will get as many as they can.

Mr. BRUCE. Yes, and I think it is very important to proceed in this regional manner with hope of attracting other people into it once it is a functioning organism.

Mr. JUDD. If our fathers had said that all 13 colonies had to agree to the Constitution before it went into effect, one or more would have been sure to hold out. But they said that whenever nine agreed it would go into effect, and, as was to be expected, within a year the attraction was so great that the other four came along.

Now, is it not also true that the British have been unwilling to go along with our new isolationsim? We have had three kinds: the one just to save the United States, then that to defend just the Western Hemisphere, and there is also the isolationsim of the present administration which added the North Atlantic community. And it has tried to get Britain to tie itself to Europe which the British have been unwilling to do even though our Government, up until Mr. Acheson's recent statement to us, maintained that Europe was the key area and that we must and could save it, no matter what happened in Asia. I think it has been a good thing that the British refused good thing for us in the long run that they refused to take up with th s American isolationism devoted to saving the Western Hemisphere and the Northern Atlantic community and let the rest of the world go to hell.

Mr. BRUCE. You really do not expect me to answer that question; do you?

Mr. JUDD. Do you not think that it has been a good thing that they would not go along with us, just limiting themselves to the Atlantic Community? They have thought more globally than we have from the beginning. Do you not agree with that?

Chairman RICHARDS. Are you trying to make the present administration—and I am from South Carolina—an isolationist party? Is that what you are trying to do?

Mr. JUDD. Certainly, it is an isolationist party. I am against all three forms of isolationism.

Chairman RICHARDS. You will have a hard time selling that idea around the country.

Mr. JUDD. The fact is that the administration advocated an isolationism with everything tied to Europe; it is because of developments in Asia as a result of that concentration on Europe that the program is endangered in Europe and elsewhere.

Mr. MANSFIELD. I am just wondering if we are getting advance dope. They have called us appeasers; are we going to be isolationists in this country?

Mr. JUDD. That is your biggest crime, the isolationism of the administration. That is the biggest reason for your difficulties now, your failures and our unbalanced budget.

Chairman RICHARDS. Has anyone seen John McCormack? Let us get that news out.

Mr. JUDD. Colonel McCormick is just a more limited isolationist than you all. You denounce him for his isolationism and take up another one for yourselves. I am "agin" them all. I am for a global program. Mr. Bruce, I cannot stop without paying tribute to you, sir. I said in Paris last June that your presentation to our committee then was the most comprehensive and best organized, and gave us a better understanding regarding the country for which you

were responsible, than any that we received anywhere, and that does not detract from others. It merely adds laurels to the tributes you deserve and we appreciate the frank and informative way in which you have talked to us today.

Mr. BRUCE. You are very kind to me.

Mr. RIBICOFF. Mr. Chairman, may I call to your attention that, by virtue of your having turned the chair over to me, I have been deprived of asking questions.

Chairman RICHARDS. Thank you, Mr. Secretary. You have been very helpful to all of us.

(Whereupon, at 4:50 p. m., the committee adjourned until 10 a. m. the following day, Friday, March 28, 1952.)